DEFENSE WORKING CAPITAL FUND

DEFENSE-WIDE

FY 1999 AMENDED BUDGET ESTIMATES

OPERATING AND CAPITAL BUDGETS

FEBRUARY 1998

CONGRESSIONAL DATA

DEPARTMENT OF DEFENSE-WIDE

FY 1999 AMENDED BUDGET ESTIMATES

DEFENSE WORKING CAPITAL FUND

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DEFENSE-WIDE WORKING CAPITAL FUND
DEFENSE-WIDE FY 1999 AMENDED BUDGET ESTIMATES

DEFENSE-WIDE SUMMARY

Defense Agencies will operate 12 activity groups within the Defense-Wide Working Capital Fund during FY 1999. The Defense Logistics Agency (DLA) will operate five activity groups; the Defense Finance and Accounting Service (DFAS), the Defense Information Systems Agency (DISA), and the Defense Commissary Agency (DeCA) will each operate two; and the Defense Security Service (DSS) will operate one.

Changes to activity group structure during FY 1999 occur with the termination of the Joint Logistics Systems Center and the inception of the DSS activity group. The U.S. Transportation Command activity group, previously included in the Defense-wide aggregation, is now included under the Air Force.

DFAS was formed in January 1991 from the Military Services Finance and Accounting functions to improve financial accounting support to DoD-wide activities and to reduce costs by adapting standard policies, procedures, forms, data, and systems; streamlining and consolidating operations; and eliminating redundancies.

DISA was reorganized in 1991 from the former Defense Communications Agency. Its responsibilities include obtaining common telecommunication and information services for command and control and providing assistance in other communication support to meet customer needs.

DLA, formed in the early 1960s, operates the Distribution Depot, Reutilization and Marketing, Information Service, Supply Management, and Defense Automated Printing activity groups. Distribution Depots receive, store, and ship inventory. Reutilization and Marketing functions include the reutilization of excess and surplus property and the donation, sale, or disposal of surplus DoD personal property. Supply Management conducts the procurement, inventory management, and technical operations functions for consumable defense inventory. The DLA Information Services activity group performs central design agency functions. The Defense Automated Printing Service provides printing services to customers.

Formed in fiscal year 1992, the Joint Logistics Systems Center (JLSC) mission was to achieve Logistics Functional Area goals for the DoD Depot Maintenance (DM) and Supply Management (SM) activity groups. JLSC facilitated improved business practices and managed the design, development and implementation of corporate DoD systems. The JLSC will complete its mission in fiscal year 1998 and the management responsibility of the fifteen DWCF projects (nine for DM; six for SM) will be transferred to the Military Services and the Defense Logistics Agency.

Defense Security Service (DSS) (formerly known as the Defense Investigative Service) was formed in 1972. The mission of DSS is to administer the Personnel Security Investigations (PSI) program and National Industrial Security Program (NISP) for the Department. The mission of the PSI program is to conduct background investigations on individuals assigned to or affiliated with the Defense Department. The purpose of the NISP program is to ensure that private industry, while performing on government contracts, properly safeguards classified information in its possession.

DEFENSE WORKING CAPITAL FUND
DLA SUMMARY
REVENUE AND EXPENSES
(Dollars In Millions)

	FY 1997	FY 1998	FY 1999
Revenue:			
Gross Sales	17,689.8	19,015.0	18,407.4
Operations	17,207.6	18,641.1	18,030.4
Capital Surcharge	150.0	0.0	0.0
Depreciation excluding Major Construction	332.2	373.9	377.0
Major Construction Depreciation			
Other Income	690.7	836.4	1,170.1
Refunds/Discounts (-)			
Total Income	**18,380.5**	**19,851.4**	**19,577.5**
Expenses:			
Cost of Materiel Sold from Inventory	9,447.5	9,478.1	9,409.8
Materiel-Related	340.7	732.1	770.4
Salaries and Wages:			
Military Personnel Compensation & Benefits	95.1	100.3	91.4
Civilian Personnel Compensation & Benefits	2,879.8	2,926.8	2,974.1
Travel & Transportation of Personnel	104.1	101.4	103.1
Materials & Supplies (For internal Operations)	121.7	124.4	119.9
Equipment	63.3	56.4	52.5
Other Purchases from Revolving Funds	1,108.6	1,195.3	1,208.5
Transportation of Things	420.6	417.6	417.5
Major Maintenance & Repair	172.9	175.3	177.9
Depreciation - Capital	341.4	383.6	387.0
Printing & Reproduction	207.3	234.0	242.4
Advisory and Assistance Services	75.1	124.2	97.8
Rent, Communication, Utilities, & Misc. Charges	1,247.5	1,196.4	1,105.7
Other Purchased Services	2,291.8	2,458.8	2,734.8
Total Expenses	**18,917.4**	**19,704.7**	**19,892.8**
Operating Result	**(536.9)**	**146.7**	**(315.3)**
Less Capital Surcharge Reservation	(150.0)	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR	218.7	0.0	0.0
Net Operating Result (NOR) - Recoverable	**(468.2)**	**146.7**	**(315.3)**
Funds Transfer to Treasury - DLA DRMS	**(38.1)**	**0.0**	**0.0**
Prior Year AOR	**(125.8)**	**(689.9)**	**(598.6)**
Other Changes Affecting AOR	**(57.8)**	**(55.4)**	**866.8**
Accumulated Operating Result (AOR)	**(689.9)**	**(598.6)**	**(47.1)**

BUSINESS AREA ANALYSIS
DEFENSE LOGISTICS AGENCY - TOTAL
SOURCE OF REVENUE
(Dollars in Millions)

	FY 97	FY 98	FY 99
1. New Orders:			
a. Orders from DoD Components			
Army	3,802.2	3,997.5	3872.2
Navy	4,249.2	4,625.5	4373.3
Air Force	4,658.2	5,150.7	4834.3
Marine Corps	380.5	392.3	407.8
Other	1,005.2	967.0	982.7
b. Orders from Other DWCF Bus Areas	2,454.5	2,784.5	2,795.4
c. Total DoD	16,549.8	17,917.5	17,265.7
d. Other Orders:			
Other Federal Agencies	488.7	518.0	516.2
Trust Fund	338.1	355.7	355.3
Non Federal Agencies	74.5	76.1	74.8
2. Carry-In Orders	94.8	97.9	75.7
3. Total Gross Orders	17,545.8	18,965.1	18,287.6
4. Funded Carry Over	-23.3	66.6	-1.1
5. DRMS Sales Proceeds	166.4	166.9	166.4
6. Total Gross Sales	17,735.5	19,065.4	18,455.1

DEFENSE-WIDE WORKING CAPITAL FUND
FY 1999 AMENDED BUDGET ESTIMATES
OVERVIEW

DEFENSE LOGISTICS AGENCY

The Defense Logistics Agency (DLA) is a Combat Support Agency responsible for providing the Military Services with a broad range of logistics support. Responsibilities include the acquisition, storage, and distribution of most of the Department of Defense's spare parts and other consumable items, contract administration services, reutilization and marketing of excess military property, and operation of the Defense National Stockpile. DLA directly contributes to the warfighting readiness and sustainability of U.S. forces, literally "around the clock - around the world".

Most of these responsibilities are carried out by activity groups operating within the Defense-Wide Working Capital Fund. The DLA portion of the Fund consists of five activity groups:

- Supply Management
- Distribution Depots
- Reutilization and Marketing
- Information Services
- Defense Automated Printing Service

In preparing this submission, DLA's primary objectives were warfighter readiness support, cost reduction, and overall performance improvement. In concert with these overall objectives, efforts continue to reduce infrastructure, streamline operating costs, and generate product cost-cutting initiatives.

DLA has been in the forefront of the Revolution in Business Affairs by adopting best business practices of the private sector. These efforts are factored into this budget and several were highlighted in the Defense Reform Initiative. For example, DLA has initiated efforts in electronic catalogs and electronic commerce malls, continues to expand use of electronic commerce and electronic data interchange in automating its procurement actions, and continues to expand its prime vendor contracts and direct vendor deliveries. Additionally, DLA has begun or is assessing outsourcing some functions, such as distribution and disposal of surplus property. Finally, as part of the Defense Reform Initiative, the Defense Fuel Supply Center was redesignated the Defense Energy Support Center and is developing plans to execute regional demonstrations of total energy management as directed by the Deputy Secretary of Defense. These plans include aggregating energy loads and contracting for energy for the purposes of regional demonstrations in California, Texas, and the Northeast Corridor; assisting the Military Departments with the privatization of utility-related infrastructure; and in making the most effective use of existing tools to decrease energy demand.

Specifically, this submit includes:

- o The centralization of the Military cataloging function at Defense Logistics Information Service
- o Consolidation of the two Defense Distribution Regions into one Defense Distribution Center (DDC)
- o Full-time equivalent personnel reductions of over 10 percent since the beginning of FY 1997

Detailed highlights by activity group follow:

<u>SUPPLY MANAGEMENT ACTIVITY GROUP</u>

The Supply Management Activity Group incorporates all activities, programs and associated costs - operations and materiel (except military construction costs) - related to materiel management. These activities include the acquisition, inventory management, and distribution of approximately four million consumable items used by the Military Services and other Federal Agencies.

The Military Services transferred item management responsibility to DLA for 760 thousand consumable items during the period of August 1991 through November 1995 (Phase I). During Phase II (January 1996 through June 1998), DLA expects to receive approximately 152 thousand more items. At the end of Phase II, DLA will manage approximately 89 percent of the consumable items within DoD - versus 67 percent prior to Phase I.

During the budget period, the Nonfuel-ICPs will complete a major physical and materiel management reorganization. Concurrent with BRAC 93 and BRAC 95 deliberations, a decision was made to change the DLA strategy of assigning Federal Supply Class management responsibilities. The new strategy results in the creation of two Weapons Systems Support activities and one Troop and General Support activity.

Based on the March 1997 decision by DUSD (Logistics), DLA has begun implementing the centralization of DoD cataloging at the Defense Logistics Information Service (formerly the Defense Logistics Services Center). While final agreements on personnel, costs and schedules are still in development, the total cost to DLA of this expanded mission is included in this budget.

DLA has accepted the increased mission associated with the transfer of Hard Copy Inventory Management, Cataloging, and Distribution functions from the National Imagery and Mapping Agency, to be effective in FY 1998. Costs and financing for this are included in this submission.

The historical performance indicator is Supply Availability or Fill Rate, which measures the percent of time DLA is able to immediately satisfy a requisition without creating a backorder. The DoD goal is 85 percent. DLA achieved 85.7 percent in FY 1997 and projects an 85 percent fill rate for FY 1998 and FY 1999. Supply availability will have less meaning in the future as

more sales move from stocked inventory to direct sales from vendors. Therefore, DLA is refining a performance indicator that measures logistics response time, or the number of days that it takes to fill a customer's requisition. DLA is committed to achieving less than 1-day processing time for immediate issues. The DoD Logistics Strategic Plan established a goal of reducing the average age of backorder items to 30 days by FY 2002. This performance target, as well as the supply availability target, can only be attained by increasing overall materiel replacement rates and targeted investment as well as improving administrative processes.

Regarding workload in the non-fuels area, a small sales increase is estimated between FY 1998 and FY 1999, primarily driven by the assumption of workload from the balance of the Consumable Item Transfer. The workload estimates in the fuels area reflect requirements provided to the Defense Energy Support Center (formerly Defense Fuel Supply Center) by the Military Services and other authorized customers.

DLA's FY 1999 non-fuel customer rate change is a negative one percent. This means that the average customer will buy the average item for one percent less than in FY 1998. This customer price change is artificially low and reflects a subsidy from the fuels division of DLA Supply Management. In FY 1998, costs for fuel are currently below previous projections. If lower costs are not realized in execution, financing problems will result. Were FY 1999 DLA Supply rates not subsidized by this effect, they would represent a positive 2.5 percent increase.

Fuel rates are established by the Office of Management and Budget with input from the Departments of Defense, Energy, Treasury, and Commerce. The single most important cost factor is the world petroleum market price/product cost. While this product cost is outside DLA's direct control, several acquisition and materiel management techniques are used to offset these costs and reduce the impact on the DLA selling price, such as flexible (seasonal or spot) buying, market sensitive ordering, and improved requirements forecasting.

Activity Group Profile

	($ in Millions)		
	FY 1997	FY 1998	FY 1999
Cost of Goods Sold/Ops Cost	$12,019.6	$12,716.3	$12,957.1
Net Operating Results	-$331.6	-$26.9	-$405.2
Accumulated Operating Results	-$379.3	-$461.6	$0
Civilian End Strength	11,202	11,333	10,665
Military End Strength	361	366	357
Civilian Full-Time Equivalents	11,273	11,250	11,010
Capital Budget Program Authority	$41.9	$72.2	$76.3

DISTRIBUTION DEPOTS ACTIVITY GROUP

DLA Distribution Depots are responsible for the receipt, storage, and issue of DoD consumable and repairable items. In addition, depots perform special projects for DoD customers, to include assembly of materiel into unit of issue packs.

On October 1, 1997, DLA established the Defense Distribution Center (DDC) at New Cumberland, PA, and began realigning the DLA distribution depot system which previously consisted of two Distribution Region Headquarters located at New Cumberland, PA (DDRE) and Stockton, California (DDRW). Each of the 22 distribution depots will now report to the DDC. Customers include components of all Military Services and authorized civil agencies within designated geographical areas.

Since 1992, the number of depots operated by DLA has decreased from 30 with an additional 32 remote sites, to 19 depots with one additional site. At the same time, lines processed have decreased from 44 million to 22.9 million in FY 1999. As a result, DLA has been able to substantially decrease its span of control from four regional organizations to one single streamlined command. The new organization's structure takes advantage of the latest organizational design concepts and will rely on a wide range of modern communication and information technology.

The Distribution business plan is currently being revised to reflect the ever changing business environment. The primary focus of these efforts is to reduce logistics cycle times and to streamline the infrastructure. In addition, we are moving to a much more agile and responsive Distribution system. Our processing time frames have been dramatically reduced in an effort to help the Services and DLA achieve the various Streamlining Logistics efforts ongoing Department of Defense-wide.

DLA successfully outsourced the Defense Distribution Depot San Antonio, collocated with the San Antonio Air Logistics Center. The contract was awarded in early December 1997. A transition to a contractor operated facility is scheduled for March 14, 1998. This facility will be run by private contractor until FY 2001 closure. This effort will serve as a model for future outsourcing.

DLA is currently planning to restructure the workload at most of the remaining depots and to simultaneously compete them with private industry. In April 1998, three depots will begin a competition process, which is estimated to take 24 months. A new group of depots will begin their competition approximately every 9 months. Labor savings of approximately 20 percent are anticipated no matter who wins the competitions. Full investments and savings will be included in the next budget submission.

To date, overall performance has improved while costs continue to decrease. Continuing process efficiencies, base closures, and a steady drop in mission workload have led to significant reductions to the distribution workforce. Personnel dropped from 27,000 during FY 1992 to approximately 13,653 in FY 1997, a reduction of 13,347 personnel, or a 49.4 percent decrease.

Reductions to date have been accomplished mainly through the use of the Voluntary Separation Incentive Pay and Voluntary Early Retirement Authority. However, involuntary reductions-in-force were required in FYs 1996/1997, and more may be required in FY 1998 and FY 1999 to maintain the appropriate balance of workforce to workload.

Lines received and shipped workload declined 6.3 percent in FY 1997 and is budgeted to decline an additional 15.8 percent through FY 1999. Workload decreases are a result primarily of cost savings initiatives, such as Direct Vendor Delivery and Prime Vendor, undertaken by DLA and Military Service Inventory Control Points. These initiatives bypass the distribution depot system by providing materiel directly from the vendor to the field customer. These estimates reflect the latest Service forecasts.

Distribution suffered a negative Net Operating Result in FY 1997. Factors contributing to this loss are the execution of stabilized rates to a larger than projected decrease in lines received and shipped workload and an under-priced reimbursable program. Workload and prices have been adjusted in FY 1998 and FY 1999 to achieve a positive Net Operating Result in FY 1998 and a zero Accumulated Operating Result by the end of FY 1999.

Activity Group Profile

	($ in Millions)		
	FY 1997	FY 1998	FY 1999
Cost of Goods Sold	$1,526.2	$1,475.3	$1,415.2
Net Operating Results	-$47.2	$3.6	$43.6
Accumulated Operating Results	-$47.2	-$43.6	$0
Civilian End Strength	13,653	12,212	11,122
Military End Strength	112	128	125
Civilian Full-Time Equivalents	15,253	13,594	12,365
Capital Budget Program Authority	$67.2	$64.6	$42.7

REUTILIZATION AND MARKETING ACTIVITY GROUP

The primary mission of the Defense Reutilization and Marketing Service (DRMS) activity group is the reuse of excess and surplus property within the Department of Defense. DoD inventory manager requirements are submitted to DRMS via automated requisitions using standard requisition and issue procedures. Items received by the Defense Reutilization and Marketing Offices (DRMOs) and meeting Military Services' (MILSVCs') item manager criteria are automatically referred through front-end screening notices. Using programs managed by DRMS, the

MILSVCs reutilized approximately $2.7 billion worth of personal property in FY 1997 resulting in savings to the DoD and the Government. If property is not reutilized, it can be transferred to other Federal and State agencies. Remaining property becomes surplus and is made available to authorized donees. The balance of property is offered for competitive sale to the public. DRMS also has the mission of hazardous property disposition.

DRMS headquarters, responsible for operational control, is located in Battle Creek, Michigan. The operational core of this organization lies with individual DRMOs located on military installations throughout the world. DRMOs receive, classify, segregate, demilitarize, account for and report excess material for screening, lotting, merchandising, and sales.

DRMS is undergoing a significant business evolution into a knowledge-based organization that moves property through information management rather than physically handling property. DRMS has a commitment to continue providing world-class service during this transformation. Resources will continue to be dedicated in support of the MILSVCs to providing the highest possible returns to the DoD and the Government.

DRMS continues to deploy the Recycling Control Point program at wholesale sites, with plans to expand deployment to retail sites. In addition, DRMS will continue expansion of automation enhancements to support the Reutilization/Transfer/Donation (R/T/D) process. Application of automation technology will support internal DRMS operations by eliminating duplicative and repetitive data entry and providing accurate and current management data. These initiatives will allow DRMS to complete implementation of significant infrastructure reductions. These reductions are in line with the Quadrennial Defense Review (QDR) infrastructure and outsourcing initiatives. The QDR initiatives are an expansion of the existing DRMS plans to streamline operations and develop partnerships with industry. In FY 1999, DRMS will expand the Joint Venture and Optimum Marketing initiatives to new supply classes. These initiatives allow DoD to benefit from commercial expertise in selling while maintaining the utility functions of management oversight that are inherently part of the DRMS mission.

DRMS continues to be a center of excellence for environmental management and compliance. DRMS has reduced the cost of hazardous disposal contracts and ensured compliance with environmental statutes and polices.

Activity Group Profile

	($ in Millions)		
	FY 1997	FY 1998	FY 1999
Cost of Goods Sold	$348.9	$375.1	$350.0
Net Operating Results	-$95.7	$217.8	$0
Accumulated Operating Results	-$217.8	$0	$0
Civilian End Strength	3,424	3,022	2,684
Military End Strength	22	44	26

	($ in Millions)		
	FY 1997	FY 1998	FY 1999
Civilian Full-Time Equivalents	3,518	3,236	2,864
Capital Budget Program Authority	$12.5	$16.5	$14.1

INFORMATION SERVICES ACTIVITY GROUP

At the beginning of FY 1996, DLA began operation of its Information Services activity group with a single Central Design Activity (CDA), the DLA Systems Design Center (DSDC). DSDC is formed from existing DLA Defense-Wide Working Capital Fund organizational elements with reimbursable authority transferred from Supply Management. DSDC has eight major locations throughout the Continental United States that are in close proximity to the customer base supported.

DSDC provides a broad range of CDA services including requirements definition, systems design, modeling, development, testing, integration, implementation support, documentation services, and systems maintenance services.

During FY 1997, DSDC experienced improved operations as a result of their reorganization in an effort to optimize the use of all CDA resources, accomplish mandated downsizing glide slopes, establish contractor teaming as the preferred method of doing business, eliminate non-traditional CDA functions, and eliminate unnecessary and duplicative management layers. After two years of operation as a Defense-Wide Working Capital Fund activity group, DLA is analyzing DSDC in order to preposition its CDA with respect to the continued changes mandated through governmental initiatives, as well as the ever rapidly changing business environment in Information Technology.

As the only CDA in DoD to be designated as a DoD pilot study, DSDC continues its goal to achieve Capability maturity model level III which is designed to assure repeatable, high quality rapid software development, and is primarily responsible for allowing DSDC to achieve the productivity and program reductions in this Budget.

Activity Group Profile

	($ in Millions)		
	FY 1997	FY 1998	FY 1999
Cost of Goods Sold	$128.4	$129.1	$127.1
Net Operating Results	-$1.3	-$4.0	$5.3
Accumulated Operating Results	-$1.3	$-5.3	$0
Civilian End Strength	1,105	1,123	1,079

	FY 1997	FY 1998	FY 1999
	($ in Millions)		
Military End Strength	4	9	9
Civilian Full-Time Equivalents	1,206	1,136	1,119
Capital Budget Program Authority	$5.8	$4.9	$2.6

DEFENSE AUTOMATED PRINTING SERVICE ACTIVITY GROUP

The Defense Automated Printing Service (DAPS) transferred to DLA in FY 1997 to better consolidate cross DoD services. In compliance with Department of Defense Directive 5330.3 and the Federal Printing Program, DAPS is responsible for the DoD printing and document automation programs. Among its competitively priced and time sensitive products and services are the conversion, electronic storage, and the output and distribution of digital and hardcopy information. The Joint Committee on Printing, Congress of the United States, exercises oversight of all federal printing, including DAPS.

The DAPS manages a worldwide printing, duplicating, and document automation production and procurement network, comprised of a Corporate Support Team (located at Ft. Belvoir, Virginia), 78 major field locations, and 163 smaller document automation facilities.

DAPS will achieve a 15 percent staff reduction from FY 1997 to FY 1999 by improving its production and business processes. This reduction is offset by functional transfers into DAPS of 154 end strengths due to the consolidation of additional Military Services and other Defense Agencies printing facilities and the transfer of the General Service Administration's printing function.

This consolidation and transfer are primary contributors to the increase in total costs and revenues in both FY 1998 (about $35 million) and FY 1999 (about $25 million). The incremental elimination of a negative ($25 million) FY 1996 Accumulated Operating Result (AOR) concludes in FY 1999. DAPS eliminates this loss by achieving positive Net Operating Results (NORs) of $11.9 million in FY 1997; $2.3 million in FY 1998; and $10.8 million in FY 1999.

DAPS' primary financial challenge is to reduce its short-term fixed costs in response to decreased customer demand. To meet this challenge, this submission incorporates productivity improvements driven by capital investments, consolidation actions and management initiatives.

Activity Group Profile

	($ in Millions) FY 1997	FY 1998	FY 1999
Cost of Goods Sold	$388.0	$433.3	$449.9
Net Operating Results	$11.9	$2.3	$10.8
Accumulated Operating Results	-$13.1	-$10.8	$0
Civilian End Strength	1,948	1,990	1,798
Civilian Full-Time Equivalents	1,954	2,018	1,897
Capital Budget Program Authority	$6.7	$9.1	$9.3

DEFENSE LOGISTICS AGENCY
DEFENSE WORKING CAPITAL FUND
FY 1999 AMENDED BUDGET ESTIMATES
PROGRAM AND FINANCING
(Dollars in Thousands)

Identification Code:		FY 1997 act.	FY 1998 est.	FY 1999 est.
Program by Activities:				
	Reimbursable Program			
R02000	DISTRIBUTION DEPOTS	1,501,972	1,464,700	1,395,800
R12000	DEFENSE REUTILIZATION AND MARKETING	340,378	357,800	332,200
R15000	DEFENSE PRINTING SERVICE	379,822	426,218	441,178
R17000	INFORMATION SERVICES	126039	124,500	125,500
R25000	SUPPLY MANAGEMENT, DEFENSE-WIDE	11,277,713	12,528,900	12,776,900
R42000	CAPITAL BUDGET - DISTRIBUTION DEPOTS	67,179	64,600	42,700
R52000	CAPITAL BUDGET - REUTILIZATION AND MARKETING	11,232	16,470	14,142
R55000	CAPITAL BUDGET - DEFENSE PRINTING SERVICE	6700	9100	9300
R57000	CAPITAL BUDGET - INFORMATION SERVICES	5,733	4,900	2,600
R65000	CAPITAL BUDGET - SUPPLY MANAGEMENT, DEFENSE-WIDE	41,875	72,200	76,300
	REIMBURSEABLE TOTAL	13,758,643	15,069,388	15,216,620
	TOTAL PROGRAM	13,758,643	15,069,388	15,216,620
Financing				
	Offsetting collections from:			
F11010	Federal Funds(-)	(13,340,504)	(15,268,888)	(14,863,013)
F14010	Orders, Non-Federal, New	(374,721)	(208,500)	(207,000)
	TOTAL ORDERS	(13,715,225)	(15,477,388)	(15,070,013)
F17010	Recovery of Prior Year Balances	(86)		
F21980	Unobligated balance start of year, F/B	276,007	70,693	(108,207)
F22980	Unobligated Funds Tranfered to Others	97,300		
F22985	Funds Transfered From Other Accounts		229,100	(38,400)
F24980	Unobligated balance end of year, F/B	(70,693)	108,207	
F32490	Balance C/A W/D	1,661,467		
F39.0001	Total Budget authority	2,007,413	0	0

DEFENSE LOGISTICS AGENCY
DEFENSE WORKING CAPITAL FUND
FY 1999 AMENDED BUDGET ESTIMATES
PROGRAM AND FINANCING

Identification code:		FY 1997 act.	FY 1998 est.	FY 1999 est.
Reimbursable obligations:				
	Personnel Compensation:			
21111	Full-time Permanent	1,194,640	1,406,788	1,379,183
21131	Other than Permanent	15,103	45,206	41,459
21151	Other Personnel Compensation	74,318	81,838	75,119
211.901	Total personnel compensation	1,284,061	1,533,832	1,495,761
21171	Military Personnel Compensation	37,133	41,425	42,663
21211	Personnel Benefits: Civilian Personnel	313,055	214,216	185,707
22101	Travel and transportation of persons	44,218	69,068	70,021
22201	Transportation of Things	772,325	750,630	751,768
22311	Rents - GSA	4,229	7,509	7,537
22321	Rents to Others	24,276	25,973	26,827
22331	Communications, Utilities and other Misc	59,605	29,803	31,261
22401	Printing and Reproduction	212,939	207,994	212,253
22521	Other	961,647	3,051,063	3,010,680
22532	Pay - Foreign National	20,763	10,360	10,461
22533	Buys from Industrial Funds	785,663	1,020,843	908,661
22601	Supplies and Materials	8,949,219	7,941,909	8,293,285
23101	Equipment	289,510	164,763	169,735
23201	Land and Structures	0	0	0
24101	Grants and Subsidies	0	0	0
24301	Interest and Dividends	0	0	0
	Total Reimbursable obligations	13,758,643	15,069,388	15,216,620
999.901	Total obligations	13,758,643	15,069,388	15,216,620
		13,758,643	15,069,388	15,216,620

DEFENSE-WIDE WORKING CAPITAL FUND
FY 1999 AMENDED BUDGET ESTIMATES
SUPPLY MANAGEMENT BUSINESS AREA
DEFENSE LOGISTICS AGENCY

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Supply Management business area incorporates those activities, programs, and costs related to materiel management. Costs include operations (salaries & expenses), materiel (items sold to the Military Services [MILSVCS]), and capital investments (purchase of equipment, software development, and minor construction).

These activities include the acquisition, inventory management, and distribution of approximately four million consumable items used by the MILSVCS and other Federal Agencies. The MILSVCS transferred item management responsibility to DLA for 760K consumable items during the period of August 1991 through November 1995 (Phase I). During Phase II (January 1996 through June 1998), DLA expects to receive approximately 152K more items. At the end of Phase II, DLA will manage approximately 93% of the consumable items within DoD - versus 67% prior to Phase I.

DLA manages approximately 80% of the total active items managed by DoD and receives nearly 20 million requisitions annually. These represent approximately 85% of all Defense Department orders.

Currently, the DLA Supply Management business area consists of five Inventory Control Points (ICPs) and a small number of supporting activities. Materiel management is organized around eight broad commodity groupings: Clothing & Textiles, Medical, Subsistence, General, Industrial, Construction, Electronics, and Fuel.

During the budget period, the Nonfuel-ICPs will complete a major physical and materiel management reorganization. Concurrent with BRAC 1993 and BRAC 1995 deliberations, a decision was made to change the DLA strategy of assigning Federal Supply Class (FSC) management responsibilities. The new strategy involves creating two Weapons Systems Support activities and one Troop and General Support activity.

Implementation of DLA's strategy and concept of operations will ultimately realign item management responsibility (no materiel movement) for approximately 748K items between DLA Supply Centers

commencing in FY 1996 and lasting through FY 1999. Initial transfer of items began in February 1996 with plumbing and wood product management moving from Defense Supply Center Columbus (DSCC) to Defense Industrial Supply Center (DISC). Overall, a total of 89K items migrated during FY 1997. The remaining transfers are planned for FY 1998 and FY 1999 transferring 237K and 208K respectively.

By the end of FY 1999, the Defense Industrial Supply Center (DISC) will be realigned to Defense Supply Center Philadelphia (DSCP)(formerly Defense Personnel Support Center) and DSCP will physically move to the Aviation Supply Office compound in northeast Philadelphia.

Organizational responsibilities:

The Defense Supply Center Philadelphia (DSCP), headquartered in Philadelphia, Pennsylvania, is responsible for the worldwide management of basic troop support necessities - food, clothing, medical supplies. Annually, about $3.4 billion worth of these items are sold to the MILSVCS.

The Clothing and Textiles Directorate manages over 8,000 generic items that outfit the MILSVCS members with uniforms, helmets, body armor, chemical protective suits, footwear, tents, and other related items. Annual sales are approximately $1.1 billion. The Directorate continues to improve its business practices by implementing innovative buying strategies that are used by most major commercial retailers.

The Medical Directorate manages a broad spectrum of health care items that are used by a diverse customer base that ranges from stateside to battlefield hospitals. Both active and retired military members benefit from this Directorate's management of medical items ranging from aspirin and vaccines to surgical instruments and sophisticated imaging equipment. Annual sales are about $1.1 billion. The Veterans Administration (VA) is an example of one of the Directorate's primary customers. Utilizing the Prime Vendor program, the VA and other Medical customers receive 24-hour delivery service while realizing lower costs and easier ordering. Prime Vendor represents an effort that enlists vendors who promise to produce and stock specific items for immediate delivery. In return, DLA guarantees that vendor a specific geographical market.

The Subsistence Directorate sells grocery items to a MILSVC customer base that ranges from the Defense Commissary Agency

(DeCA) to the battlefield. These sales are valued at about $1.2 billion annually. Items include fresh fruits and vegetables, frozen and dehydrated food, and Meals Ready to Eat (MREs). From Philadelphia and other locations, including Alameda, California and Pirmasens, Germany, the Subsistence Directorate ensures that food arrives on time and in quality condition whether it is being requested by a MILSVC dining facility, aboard ship, or on the battlefield. In FY 1999, after the closure of distribution depots located in Memphis, Tennessee, and Ogden, Utah, two main storage locations and five Defense Subsistence Offices (DSOs) will support this effort.

The Defense Supply Center Richmond (DSCR), located in Richmond, Virginia, purchases and manages items in 242 commodity classes. Examples include, weapon systems spare parts, generators, machine tools and accessories, presses, laundry and dry cleaning equipment, precision instrumentation and many other general supply items. DSCR will evolve into one of the two weapons systems centers. Annual sales are about $1.5 billion.

The Defense Industrial Supply Center (DISC), located in Northeast Philadelphia, sells and manages industrial hardware items for the MILSVCS and other Federal Agencies. These include varied items such as bearings, rope, fittings, fasteners, gaskets, springs, rings, metal bars, sheet steel, electrical wire and cable as well as certain ores, minerals and precious metals. Many of these items are used in the repair and maintenance of key weapons systems and NASA space programs. Annual sales are an estimated $1 billion. This activity will be realigned to DSCP by the end of FY 1999.

The Defense Supply Center Columbus (DSCC), located in Columbus, Ohio, sells and manages items that include spare parts for aircraft, tanks, and missile systems as well as commercial vehicles. These items include valves, hydraulics, transistors, and microcircuits. DSCC is evolving into the other weapons systems center. Annual sales are projected at $1.9 billion. A part of the Base Realignment and Closure actions, the electronic commodities have been realigned to DSCC.

The Headquarters, Defense Energy Support Center (DESC) (formerly named the Defense Fuel Supply Center), located in Ft. Belvoir, Virginia, directs the activities of various world-wide field elements. Annual sales are about $4.4 billion. DESC's mission has been expanded as a result of the Defense Reform Initiative to include: aggregating energy loads, including electricity, and contracting for energy for the purposes of regional

demonstrations in California, Texas, and the Northeast Corridor; assisting the MILSVCs in privatizing utility-related infrastructure; and assisting the MILSVCs in other energy saving demonstrations. The core mission remains unchanged - providing comprehensive worldwide petroleum support for the MILSVCS. This effort includes:

(1) Fuel sales, petroleum and natural gas products.

(2) Arranging for petroleum support services: leasing contractor-owned, contractor-operated terminals; awarding contracts to operate Government-owned terminals; and performing environmental assessment and cleanup.

(3) Coordinating bulk petroleum transportation via tanker, pipeline, barge, rail, and truck. Also, managing the size and source of tanker cargoes lifted by the Military Sealift Command (MSC).

(4) Establishing policies and procedures for petroleum quality assurance and surveillance. DESC performs quality assurance overseas and quality surveillance functions within the Continental United States with the assistance of the Defense Contract Management Command.

BUDGET HIGHLIGHTS

SPECIAL INTEREST ITEMS:

Centralization of DoD Cataloging

Based on the March 1997 decision by DUSD(Logistics), DLA has begun implementing the Centralized Cataloging function at Defense Logistics Information Service (DLIS) (formerly Defense Logistics Services Center). The decision supported an organizational staff of 907 by FY 2000. Of this number, 251 are currently in DLA's personnel authority with the remaining 656 to be transferred from the MILSVCS beginning in FY 1998.

We have included the necessary funding offsets in both FY 1998 and FY 1999 to cover the initial nonlabor implementation costs. The same consolidation process will occur as has occurred in the past, i.e, the MILSVCS will transfer the sufficient labor funds with the execution year transfer of personnel.

National Imagery and Mapping Agency (NIMA)

DLA has accepted the increased mission associated with Inventory Management, Cataloging, and Distribution functions for NIMA, to be effective in FY 1998. Costs and financing for this are included in this submission.

Joint Logistics Systems Center (JLSC)

Capital requirements increase with the termination of JLSC during FY 1999. In addition, we have reallocated the operations costs associated with the JLSC surcharge for internal requirements.

PERFORMANCE INDICATORS

A major performance indicator is Supply Availability or the Fill Rate. This measures the percent of time DLA is able to immediately satisfy a requisition without creating a backorder. The DoD goal is 85%. DLA achieved 85.7% in FY 1997 and projects an 85% fill rate in FY 1998 and FY 1999. Supply availability will have less meaning in future as more sales move from stocked inventory to direct sales from vendors.

DLA is refining a performance indicator that measures logistics response time (LRT) or the number of days that it takes to fill a customer's requisition. DLA ICPs are committed to consistent reporting of LRT through the DoD Logistics Measurement Analysis Report System (LMARS) and in achieving less than 1-day processing time for immediate issues. The DoD Logistics Strategic Plan established a goal of reducing the average age of backorder items to 30 days by FY 2002. This performance target, as well as the supply availability target, can only be attained by increasing overall materiel replacement rates and targeted investment as well as improving administrative processes.

WORKLOAD

Nonfuel: Gross Sales

Gross Sales describes the primary workload measure in the nonfuel business. The sales are affected by: customer needs (force structure and operating tempo) and the transfer of consumable items from the MILSVCS to DLA for management purposes. There is a small estimated sales increase between FY 1998 and FY 1999 primarily driven by the balance of CIT.

Fuel: Net Barrels Sold

The workload estimates reflect requirements provided to DESC by the MILSVCS and other authorized customers.

UNIT COST

Unit Cost resourcing provides the operating cost authority (for items such as: salaries, facilities maintenance, supplies, materiel for resale, and other administrative costs) within the Supply Management Business Area. Approved budget requirements and projected workload are used to develop a unit cost goal. This is applied to actual workload during the budget execution year to earn the approved cost authority.

NONFUEL

	FY 1997	FY 1998	FY 1999
Costs ($M)	7,352.4	7,756.2	7,542.8
Gross Sales ($M)	7,460.9	7,834.5	7,729.0
Unit Cost Goal($)	0.9855	0.9900	0.9759

(Figure 1)

FUEL

	FY 1997	FY 1998	FY 1999
Costs ($M)	3,390.3	3,726.0	3,831.1
Net BBLS Sold (M)	111.7	109.9	109.9
Unit Cost Goal($)	30.35	33.90	34.86

(Figure 2)

CUSTOMER RATE CHANGE

Nonfuel:

DLA develops and the Department of Defense approves the change in customer rates for the nonfuel segment of the business area. These changes are primarily driven by inflation and the basic costs incurred to deliver the products to the customers relative to the sales volume. These costs include: inflation on items bought for resale; the production costs needed to buy, store, and ship the materiel; and the supporting overhead costs.

DLA uses commercial buying practices and management initiatives that minimize DLA prices, improve quality, and increase customer satisfaction:

(1) Direct Vendor Deliveries (DVDs) are a subset of the long-term contracts, but involve short-term contracts, as well. Items sold to the MILSVCS under this concept are shipped directly from the supplier to the customer without being stored in a DLA depot. Essentially, this precludes the double handling of the materiel and the associated cost. The goal is to use this vehicle in cases where it is cost beneficial.

(2) Expansion of Electronic Commerce and Electronic Data Interchange allows for automated versus manual procurement. DLA satisfied 74% of its contract actions by using this automation in FY 1997. The goals for FY 1998 and FY 1999 are 80% and 85%, respectively. These quick responding procurement actions reduce the amount of on-hand inventory required by both DLA and its customers.

(3) Total Asset Visibility provides managers with timely and accurate information about the location, quality, condition, movement, and status of DoD materiel. This oversight capability includes both assets under DLA ownership and those that are still available in our customers' inventories. This visibility optimizes use of DoD assets on a priority basis.

The customer rate change in DLA Supply Management in FY 1999 is a negative one percent. This means that the average customer will buy the average item for one percent less than in FY 1998. This customer price change is artificially low and reflects a subsidy from the fuels division of DLA Supply Management. In FY 1998, costs for fuel are currently below previous projections. If lower costs are not realized in execution, financing problems will results. Were FY 1999 DLA Supply rates not subsidized by this effect, they would represent a positive 2.5 percent increase.

CUSTOMER RATE CHANGES

	FY 1997	FY 1998	FY 1999
Nonfuel	-2.1%	1.6%	-1.0%
DoD Nonfuel Inflation	2.1%	1.4%	1.5%
Fuel	1.3%	19.7%	-8.8%

(Figure 3)

Fuel:

Unlike nonfuel, fuel rates are established by the Office of Management and Budget (OMB) with input from the Departments of Defense, Energy, Treasury, and Commerce. The single most important cost factor is the world petroleum market price/product cost. While the market price of fuel is beyond DLA's direct control, several acquisition and materiel management techniques are used to offset these costs and reduce the i act on the DLA selling price. Acquisition techniques include: flexible (seasonal or spot) buying, dollar cost averaging, market sensitive ordering, commercial buying of bunkers, minimal Small and Disadvantage Business premium payments, and the increased use of commercial specifications. Materiel management techniques include: improved requirements forecasting and using refinery production capacity in place of product to support the MILSVC War Reserve requirement. Additionally, DLA is continually refining its storage and transportation methods in search of efficiencies without impeding petroleum support effectiveness. Also considered in the change in customer rates are the costs incurred to deliver the product to the customers (operations costs: the production costs needed to buy, store, and ship the petroleum; and the supporting overhead costs).

FUEL

	FY 1997	FY 1998	FY 1999
Composite Fuel Selling Price ($/BBL):	31.92	38.22	34.86

(Figure 4)

INVENTORY

Supply Management is continuing to operate under a restricted materiel replacement in FY 1998 and FY 1999.

COMPOSITE MATERIEL REPLACEMENT RATES

	FY 1997	FY 1998	FY 1999
Nonfuel:			
Net Sales @ Cost ($M)	5,969.1	6,305.0	6,325.6
Obligations ($M)	5,842.4	6,096.9	6,107.9
Replacement Rate	95.0%	96.7	96.6%

(Figure 5)

Principally, buying reduced replacement has been DLA's reaction to realized and anticipated future reduction in customer orders and our move to direct vendor deliveries. The end-state MILSVC customer base will result in fewer orders. However, the general reduction is being offset somewhat by customer orders/sales that have and will result from CIT transfers. With the end of MILSVC downsizing and the consumption of useable on-hand inventory, the replacement rates are being increased slightly over the period.

Additionally, the DLA investment strategy is being evaluated with respect to improving critical weapon system readiness versus maximizing supply availability. Through both phases of CIT, DLA has gained a large number of high cost items. Due to the nature of inventory optimization models, most of these items do not fare well in competing for investment dollars against the traditional DLA low-cost, fast-moving items. A shift in investment away from the low-cost items to support this "new breed" of items will reduce overall supply performance to unacceptably low levels.

Therefore, DLA is investing separately in these items to achieve and maintain a satisfactory level of supply support. Investment is directed toward those moderate to high cost critical items with higher, more stable demand and, therefore, the highest likelihood of sales and return on investment. This program will help close a readiness gap in our support strategy by providing protection for critical items, CIT or otherwise.

COMPOSITE NONFUEL INVENTORY

$ in Millions	FY 1997	FY 1998	FY 1999
Beginning Inventory	9,413.0	9,945.7	9,784.0
Receipts	5,393.1	6,276.0	6,105.4
Sales	-6,141.8	-6,520.3	-6,567.8
Disposals	-711.2	-656.2	-640.2
Capitalizations	1,413.6	202.0	96.6
Other	578.1	536.8	462.6
Ending Inventory	9,945.7	9,784.0	9,240.6

(Figure 6)

The ending FY 1997 fuel inventory is estimated to be 65.7 MBBLS. This reflects a drawdown since FY 1995 of 7.0 MBBLS held in War Reserve. The drawdown was directed due to a diminished national

security threat and this allowed in part DLA to offset higher petroleum costs without increasing the cost to the MILSVCS or degrading readiness. The FY 1997 inventory also reflects a 2.0 MBBLS drawdown to reduce outlays associated with extremely high fuel costs in FY 1997.

NET OPERATING RESULT (NOR)/ACCUMULATED OPERATING RESULT (AOR)

The NOR measures the short range, single fiscal year, impact of revenue and expenses incurred by the business. For example, a positive annual NOR demonstrates that revenues exceeded expenses for the business activity. A negative NOR - just the opposite.

The (AOR) reflects the long term, multi-year, results of previous NORs. Its measurement describes the accumulated affects of NORs and demonstrates the fiscal strength over a longer time. The budgeted goal is to break-even by the budget year.

The cost of goods sold describes the materiel expense (excludes the cost of operations). It is a primary element in determining the NOR (Figure 7).

NOR/AOR

$ in Millions	FY 1997	FY 1998	FY 1999
Revenues	11,688.0	12,689.4	12,551.9
Expenses:	12,019.6	12,716.3	12,957.1
CGS	9,447.5	9,478.1	9,409.8
Operations	2,572.1	3,238.2	3,547.3
NOR	-331.6	-26.9	-405.2
Other Changes	-47.7	-55.4	866.8
Ending AOR	-379.3	-461.6	0

(Figure 7)

PERSONNEL

Reductions in employment levels, without degradation of mission support, are achieved primarily via automation and management improvements. Automating our acquisition processes and management information systems reduce the need for manual intervention. Management improvements - reorganizing, re-

engineering processes, and realigning workloads - are general means to further productivity. Productivity is measured by assessing the ratio of workload performed per Full-Time Equivalent (FTE) consumed. A FTE is an equivalent year's worth of effort. End strength is the actual number of persons on the rolls as of fiscal years end.

Military and Civilian Personnel

	FY 1997	FY 1998	FY 1999
End Strength:			
Military	361	366	357
Civilian	11,202	11,333	10,665
Total	11,593	11,635	11,063
Full-time Equivalents:			
Military	369	364	362
Civilian	11,273	11,250	11,010
Total	11,634	11,627	11,418

(Figure 8)

Capital Budget

The capital budget finances the procurement of capital equipment, the development of software for operational and management information systems, and minor construction projects costing in excess of $100,000 per deliverable. A capital item is assumed to have zero salvage value and is depreciated on a straight-line basis over its useful life. This charge is then expensed and included in DLA's cost to recover.

The capital budget estimate for FY 1999 is $76.3 million. This reflects an expansion in the use of commercial practices, such as Electronic Commerce and Web technology and an assumption of the systems development responsibilities from JLSC. Initiatives will reduce LRT and backorders. They will increase inventory accuracy and ultimately provide the warfighter with better products, at a lower cost, and in a timely manner. The capital budget also reflects the transfer of funding responsibility, from the Services to DLA, for fuels facilities improvements. These improvements will bring the facilities into compliance with fire, safety, and environmental regulations.

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management
REVENUE AND EXPENSES
Date: February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
Revenue:			
Net Sales @ Standard:	11,042.5	11,903.4	11,429.6
Operations	11,021.6	11,886.0	11,407.8
Capital Surcharge			
Depreciation Exlcuding Minor Construction	20.9	17.4	21.8
Major Construction Depreciation			
Other Income:	645.5	786.0	1,122.3
Refunds/Discounts (-)			
Total Income	**11,688.0**	**12,689.4**	**12,551.9**
Expenses:			
Cost of Materiel Sold from Inventory	9,447.5	9,478.1	9,409.8
Materiel-Related	340.7	732.1	770.4
Salaries and Wages:			
Military Personnel Compensation & Benefits	23.7	28.0	27.1
Civilian Personnel Compensation & Benefits	681.5	750.1	773.8
Travel & Transportation of Personnel	44.8	48.5	50.6
Materials & Supplies (For internal Operations)	15.9	16.4	16.5
Equipment	0.4	0.4	0.4
Other Purchases from Revolving Fund	646.3	765.8	758.7
Transportation of Things	1.0	1.0	1.0
Major Maintenance and Repair	172.9	175.3	177.9
Depreciation - Capital	20.9	17.4	21.8
Printing and Reproduction	11.3	11.7	12.0
Advisory and Assistance Services	12.4	15.4	16.9
Rent, Communication, Utilities, & Misc. Charges	24.8	24.5	24.1
Other Purchased Services	575.5	651.6	896.1
Total Expenses	**12,019.6**	**12,716.3**	**12,957.1**
OPERATING RESULT	**(331.6)**	**(26.9)**	**(405.2)**
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR	0.0	0.0	0.0
NET OPERATING RESULT (NOR) - Recoverable	**(331.6)**	**(26.9)**	**(405.2)**
Other Changes Affecting AOR	(47.7)	(55.4)	866.8
ACCUMULATED OPERATING RESULT (AOR)	**(379.3)**	**(461.6)**	**0.0**

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	10,069.4	10,971.6	10,451.1
a. Army	2,680.7	2,883.6	2,788.9
Navy	3,410.9	3,730.4	3,547.6
Air Force	3,582.3	3,959.2	3,729.3
Marine Corps	295.7	316.0	305.0
Other	99.8	82.4	80.3
b. Orders from other Fund Business Areas:	421.1	440.5	439.5
Exchange Services	160.4	173.6	167.1
DeCA	255.0	260.7	266.6
Other	5.7	6.2	5.8
c. Total DoD	10,490.5	11,412.1	10,890.6
d. Other Orders:	456.3	491.0	484.8
Other Federal Agencies	158.2	171.7	164.6
Trust Fund	294.7	315.7	316.7
Non Federal Agencies	3.4	3.6	3.5
Total New Orders	10,946.8	11,903.1	11,375.4
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	10,946.8	11,903.1	11,375.4
4. CHANGE TO BACKLOG	-96.2	-0.3	-54.2
5. TOTAL NET SALES AT STANDARD	11,043.0	11,903.4	11,429.6

DEFENSE-WIDE WORKING CAPITAL FUND
Componenet: Defense Logistics Agency
Activity Group: Supply Management/Non-Energy (Excl BOS & NSA)
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	6,353.0	6,793.1	6,636.4
a. Army	2,450.4	2,622.8	2,551.1
Navy	2,085.5	2,229.7	2,178.8
Air Force	1,524.4	1,629.2	1,604.1
Marine Corps	274.6	292.1	283.2
Other	18.1	19.3	19.2
b. Orders from other Fund Business Areas:	418.0	437.0	436.3
Exchange Services	160.4	173.6	167.1
DeCA	255.0	260.7	266.6
Other	2.6	2.7	2.6
c. Total DoD	6,771.0	7,230.1	7,072.7
d. Other Orders:	395.1	421.7	421.6
Other Federal Agencies	98.1	103.6	102.5
Trust Fund	293.6	314.5	315.6
Non Federal Agencies	3.4	3.6	3.5
Total New Orders	7,166.1	7,651.8	7,494.3
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	7,166.1	7,651.8	7,494.3
4. CHANGE TO BACKLOG	-116.2	5.0	-48.8
5. TOTAL NET SALES AT STANDARD	7,282.3	7,646.8	7,543.1

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management/Clothing & Textiles
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	772.3	836.5	804.5
a. Army	422.9	458.2	440.6
Navy	123.4	133.6	128.5
Air Force	176.0	190.6	183.4
Marine Corps	50.0	54.1	52.0
Other	0.0	0.0	0.0
b. Orders from other Fund Business Areas:	160.5	173.7	167.2
Exchange Services	160.3	173.5	167.0
DeCA	0.0	0.0	0.0
Other	0.2	0.2	0.2
c. Total DoD	932.8	1,010.2	971.7
d. Other Orders:	18.8	20.3	19.7
Other Federal Agencies	11.0	11.9	11.6
Trust Fund	7.8	8.4	8.1
Non Federal Agencies	0.0	0.0	0.0
Total New Orders	951.6	1,030.5	991.4
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	951.6	1,030.5	991.4
4. CHANGE TO BACKLOG	-65.2	0.0	-11.9
5. TOTAL NET SALES AT STANDARD	1,016.8	1,030.5	1,003.3

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management/Medical
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	977.8	1,052.8	1,025.8
a. Army	688.0	740.8	721.8
Navy	255.6	275.2	268.1
Air Force	29.9	32.2	31.4
Marine Corps	4.3	4.6	4.5
Other	0.0	0.0	0.0
b. Orders from other Fund Business Areas:	1.0	1.0	1.0
Exchange Services	0.0	0.0	0.0
DeCA	0.0	0.0	0.0
Other	1.0	1.0	1.0
c. Total DoD	978.8	1,053.7	1,026.8
d. Other Orders:	3.8	4.0	3.9
Other Federal Agencies	2.4	2.5	2.5
Trust Fund	1.4	1.5	1.4
Non Federal Agencies	0.0	0.0	0.0
Total New Orders	982.6	1,057.8	1,030.7
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	982.6	1,057.8	1,030.7
4. CHANGE TO BACKLOG	-68.2	-11.5	-13.8
5. TOTAL NET SALES AT STANDARD	1,050.8	1,069.3	1,044.5

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management/Subsistence
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	813.9	849.2	839.4
a. Army	414.8	433.8	428.7
Navy	223.6	232.8	230.1
Air Force	83.9	87.3	86.3
Marine Corps	91.0	94.7	93.7
Other	0.6	0.6	0.6
b. Orders from other Fund Business Areas:	255.0	260.7	266.6
Exchange Services	0.0	0.0	0.0
DeCA	255.0	260.7	266.6
Other	0.0	0.0	0.0
c. Total DoD	1,068.9	1,109.9	1,106.0
d. Other Orders:	62.5	65.1	64.3
Other Federal Agencies	58.9	61.3	60.6
Trust Fund	1.8	1.9	1.9
Non Federal Agencies	1.8	1.9	1.8
Total New Orders	1,131.4	1,175.0	1,170.3
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	1,131.4	1,175.0	1,170.3
4. CHANGE TO BACKLOG	0.0	0.0	0.0
5. TOTAL NET SALES AT STANDARD	1,131.4	1,175.0	1,170.3

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management/Richmond
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	1,274.6	1,328.4	1,378.0
a. Army	226.9	236.5	245.4
Navy	479.8	500.1	518.7
Air Force	542.6	565.4	586.5
Marine Corps	17.2	18.0	18.6
Other	8.1	8.4	8.8
b. Orders from other Fund Business Areas:	0.4	0.4	0.4
Exchange Services	0.0	0.0	0.0
DeCA	0.0	0.0	0.0
Other	0.4	0.4	0.4
c. Total DoD	1,275.0	1,328.8	1,378.4
d. Other Orders:	189.7	197.8	205.2
Other Federal Agencies	15.2	15.9	16.6
Trust Fund	173.2	180.5	187.2
Non Federal Agencies	1.3	1.4	1.4
Total New Orders	1,464.7	1,526.6	1,583.6
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	1,464.7	1,526.6	1,583.6
4. CHANGE TO BACKLOG	49.0	17.5	4.9
5. TOTAL NET SALES AT STANDARD	1,415.7	1,509.1	1,578.7

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management/Industrial
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	797.0	891.4	853.9
a. Army	160.0	179.0	171.4
Navy	324.1	362.4	347.4
Air Force	288.6	322.8	309.1
Marine Corps	19.5	21.8	20.9
Other	4.8	5.4	5.1
b. Orders from other Fund Business Areas:	0.9	1.0	0.9
Exchange Services	0.1	0.1	0.1
DeCA	0.0	0.0	0.0
Other	0.8	0.9	0.8
c. Total DoD	797.9	892.4	854.8
d. Other Orders:	120.0	134.2	128.4
Other Federal Agencies	10.6	11.9	11.3
Trust Fund	109.4	122.3	117.1
Non Federal Agencies	0.0	0.0	0.0
Total New Orders	917.9	1,026.6	983.2
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	917.9	1,026.6	983.2
4. CHANGE TO BACKLOG	2.5	4.0	-6.0
5. TOTAL NET SALES AT STANDARD	915.4	1,022.6	989.2

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management/Columbus
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	1,717.4	1,834.8	1,734.8
a. Army	537.8	574.5	543.2
Navy	679.0	725.6	686.0
Air Force	403.4	430.9	407.4
Marine Corps	92.6	98.9	93.5
Other	4.6	4.9	4.7
b. Orders from other Fund Business Areas:	0.2	0.2	0.2
Exchange Services	0.0	0.0	0.0
DeCA	0.0	0.0	0.0
Other	0.2	0.2	0.2
c. Total DoD	1,717.6	1,835.0	1,735.0
d. Other Orders:	0.3	0.3	0.1
Other Federal Agencies	0.0	0.1	-0.1
Trust Fund	0.0	-0.1	-0.1
Non Federal Agencies	0.3	0.3	0.3
Total New Orders	1,717.9	1,835.3	1,735.1
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	1,717.9	1,835.3	1,735.1
4. CHANGE TO BACKLOG	-34.3	-5.0	-22.0
5. TOTAL NET SALES AT STANDARD	1,752.2	1,840.3	1,757.1

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management/Energy
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	3,645.4	4,127.6	3,764.7
a. Army	230.3	260.8	237.8
Navy	1,325.3	1,500.6	1,368.7
Air Force	2,057.9	2,330.0	2,125.2
Marine Corps	21.1	23.9	21.8
Other	10.8	12.3	11.2
b. Orders from other Fund Business Areas:	3.1	3.5	3.2
Exchange Services	0.0	0.0	0.0
DeCA	0.0	0.0	0.0
Other	3.1	3.5	3.2
c. Total DoD	3,648.5	4,131.1	3,767.9
d. Other Orders:	61.2	69.3	63.2
Other Federal Agencies	60.1	68.1	62.1
Trust Fund	1.1	1.2	1.1
Non Federal Agencies	0.0	0.0	0.0
Total New Orders	3,709.7	4,200.4	3,831.1
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	3,709.7	4,200.4	3,831.1
4. CHANGE TO BACKLOG	0.0	0.0	0.0
5. TOTAL NET SALES AT STANDARD	3,709.7	4,200.4	3,831.1

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management/BOS
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	24.5	20.2	19.3
a. Army	0.0	0.0	0.0
Navy	0.1	0.1	0.1
Air Force	0.0	0.0	0.0
Marine Corps	0.0	0.0	0.0
Other	24.4	20.1	19.2
b. Orders from other Fund Business Areas:	0.0	0.0	0.0
Exchange Services	0.0	0.0	0.0
DeCA	0.0	0.0	0.0
Other	0.0	0.0	0.0
c. Total DoD	24.5	20.2	19.3
d. Other Orders:	0.0	0.0	0.0
Other Federal Agencies	0.0	0.0	0.0
Trust Fund	0.0	0.0	0.0
Non Federal Agencies	0.0	0.0	0.0
Total New Orders	24.5	20.2	19.3
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	24.5	20.2	19.3
4. CHANGE TO BACKLOG	0.9	-5.5	-5.6
5. TOTAL NET SALES AT STANDARD	23.6	25.7	24.9

DEFENSE-WIDE WORKING CAPITAL FUND
Component: Defense Logistics Agency
Activity Group: Supply Management/NSA
Source of Revenue
February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. NEW ORDERS	46.5	30.7	30.7
a. Army	0.0	0.0	0.0
Navy	0.0	0.0	0.0
Air Force	0.0	0.0	0.0
Marine Corps	0.0	0.0	0.0
Other	46.5	30.7	30.7
b. Orders from other Fund Business Areas:	0.0	0.0	0.0
Exchange Services	0.0	0.0	0.0
DeCA	0.0	0.0	0.0
Other	0.0	0.0	0.0
c. Total DoD	46.5	30.7	30.7
d. Other Orders:	0.0	0.0	0.0
Other Federal Agencies	0.0	0.0	0.0
Trust Fund	0.0	0.0	0.0
Non Federal Agencies	0.0	0.0	0.0
Total New Orders	46.5	30.7	30.7
2. CARRY-IN ORDERS	0.0	0.0	0.0
3. TOTAL NET DEMAND AT STANDARD	46.5	30.7	30.7
4. CHANGE TO BACKLOG	19.1	0.2	0.2
5. TOTAL NET SALES AT STANDARD	27.4	30.5	30.5

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

Defense Logistics Agency Total	Total	Mobilization	Peacetime	
			Operating	Operating Other
INVENTORY - Beginning of Period (BOP)	11,254.1	1,703.3	4,986.8	4,564.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	11,254.1	1,703.3	4,986.8	4,564.0
RECEIPTS AT COST	8,701.2		8,701.2	
GROSS SALES AT COST	(9,729.9)		(9,729.9)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	1,413.9		1,141.7	272.2
b. Returns from Customers for Credit	282.3		282.3	0.0
c. Returns for Customers without Credit	384.2		77.9	306.3
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(711.3)		(137.8)	(573.5)
f. Decapitalizations	(26.0)		(12.5)	(13.5)
g. Issues/Receipts without Reimbursement (+/-)	(105.4)		(69.5)	(35.9)
h. Other (List and Explain)	173.7		136.7	37.0
i. Total Adjustments	1,411.4		1,418.9	(7.5)
INVENTORY - End of Period (EOP)	11,636.8	1,703.3	5,376.9	4,556.6
INVENTORY EOP - REVALUED	9,824.9	1,703.3	4,996.9	3,124.8
a. Economic Retention (Memo)				2,866.3
b. Contingency Retention (Memo)				192.3
c. Potential DoD Utilization (Memo)				66.3
INVENTORY ON ORDER EOP	4,735.3		4,735.3	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

Clothing and Textiles	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	1,535.9	46.1	1,181.1	308.7
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	1,535.9	46.1	1,181.1	308.7
RECEIPTS AT COST	870.0		870.0	
GROSS SALES AT COST	(862.0)		(862.0)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	2.9		2.9	
b. Returns from Customers for Credit	14.5		14.5	
c. Returns for Customers without Credit	78.8		78.8	
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(165.6)		(132.3)	(33.3)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(59.7)		(47.7)	(12.0)
h. Other (List and Explain)	36.4		36.4	
i. Total Adjustments	(92.7)		(47.4)	(45.3)
INVENTORY - End of Period (EOP)	1,451.2	46.1	1,141.7	263.4
INVENTORY EOP - REVALUED	1,298.4	46.1	1,114.7	137.6
a. Economic Retention (Memo)				127.9
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				9.7
INVENTORY ON ORDER EOP	574.1		574.1	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

Medical	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	224.9	20.2	136.3	68.4
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	224.9	20.2	136.3	68.4
RECEIPTS AT COST	992.1		992.1	
GROSS SALES AT COST	(995.4)		(995.4)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.1		0.1	
b. Returns from Customers for Credit	1.6		1.6	
c. Returns for Customers without Credit	6.4			6.4
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(16.8)			(16.8)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(0.1)			(0.1)
h. Other (List and Explain)	22.2		15.5	6.7
i. Total Adjustments	13.4		17.2	(3.8)
INVENTORY - End of Period (EOP)	235.0	20.2	150.2	64.6
INVENTORY EOP - REVALUED	161.0	20.2	122.1	18.7
a. Economic Retention (Memo)				13.2
b. Contingency Retention (Memo)				4.5
c. Potential DoD Utilization (Memo)				1.0
INVENTORY ON ORDER EOP	243.3		243.3	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

Subsistence	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	418.4	251.2	167.2	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	418.4	251.2	167.2	
RECEIPTS AT COST	819.5		819.5	
GROSS SALES AT COST	(968.0)		(968.0)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	25.5		25.5	
b. Returns from Customers for Credit	0.5		0.5	
c. Returns for Customers without Credit	(0.3)		(0.3)	
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(3.6)		(3.6)	
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	93.1		93.1	
i. Total Adjustments	115.2		115.2	
INVENTORY - End of Period (EOP)	385.1	251.2	133.9	
INVENTORY EOP - REVALUED	385.1	251.2	133.9	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	181.2		181.2	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

Total Defense Supply Center Philadelphia (DSCP)	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	2,179.2	317.5	1,484.6	377.1
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	2,179.2	317.5	1,484.6	377.1
RECEIPTS AT COST	2,681.6		2,681.6	
GROSS SALES AT COST	(2,825.4)		(2,825.4)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	28.5		28.5	
b. Returns from Customers for Credit	16.6		16.6	
c. Returns for Customers without Credit	84.9		78.5	6.4
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(186.0)		(135.9)	(50.1)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(59.8)		(47.7)	(12.1)
h. Other (List and Explain)	151.7		145.0	6.7
i. Total Adjustments	35.9		84.9	(49.0)
INVENTORY - End of Period (EOP)	2,071.3	317.5	1,425.8	328.0
INVENTORY EOP - REVALUED	1,844.5	317.5	1,370.7	156.3
a. Economic Retention (Memo)				141.1
b. Contingency Retention (Memo)				4.5
c. Potential DoD Utilization (Memo)				10.7
INVENTORY ON ORDER EOP	998.6		998.6	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group

FY 1997 Inventory Status

(Dollars in Millions)

			Peacetime	
Richmond	Total	Mobilization	Operating	Operating Other
INVENTORY - Beginning of Period (BOP)	2,433.2	65.7	1,004.9	1,362.6
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	2,433.2	65.7	1,004.9	1,362.6
RECEIPTS AT COST	854.2		854.2	
GROSS SALES AT COST	(1,148.1)		(1,148.1)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	798.1		798.1	
b. Returns from Customers for Credit	28.2		28.2	
c. Returns for Customers without Credit	114.1			114.1
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(117.8)			(117.8)
f. Decapitalizations	(8.6)		(3.8)	(4.8)
g. Issues/Receipts without Reimbursement (+/-)	(41.3)		(18.2)	(23.1)
h. Other (List and Explain)	(35.5)		(15.6)	(19.9)
i. Total Adjustments	737.2		788.7	(51.5)
INVENTORY - End of Period (EOP)	2,876.5	65.7	1,499.7	1,311.1
INVENTORY EOP - REVALUED	2,395.7	65.7	1,201.6	1,128.4
a. Economic Retention (Memo)				1,109.6
b. Contingency Retention (Memo)				3.4
c. Potential DoD Utilization (Memo)				15.3
INVENTORY ON ORDER EOP	1,048.3		1,048.3	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

			Peacetime	
Industrial	**Total**	**Mobilization**	**Operating**	**Operating Other**
INVENTORY - Beginning of Period (BOP)	1,075.6	19.8	436.3	619.5
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	1,075.6	19.8	436.3	619.5
RECEIPTS AT COST	633.2		633.2	
GROSS SALES AT COST	(672.8)		(672.8)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	130.9		130.9	
b. Returns from Customers for Credit	17.3		17.3	
c. Returns for Customers without Credit	48.9			48.9
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(75.9)			(75.9)
f. Decapitalizations	(1.3)		(0.6)	(0.7)
g. Issues/Receipts without Reimbursement (+/-)	(0.2)		(0.1)	(0.1)
h. Other (List and Explain)	24.3		10.3	14.0
i. Total Adjustments	144.0		157.9	(13.9)
INVENTORY - End of Period (EOP)	1,180.0	19.8	554.5	605.7
INVENTORY EOP - REVALUED	875.5	19.8	453.8	401.9
a. Economic Retention (Memo)				354.2
b. Contingency Retention (Memo)				39.0
c. Potential DoD Utilization (Memo)				8.7
INVENTORY ON ORDER EOP	249.8		249.8	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

Columbus	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	3,693.9	125.3	1,363.8	2,204.8
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	3,693.9	125.3	1,363.8	2,204.8
RECEIPTS AT COST	1,173.7		1,173.7	
GROSS SALES AT COST	(1,443.0)		(1,443.0)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	456.0		183.8	272.2
b. Returns from Customers for Credit	58.0		58.0	
c. Returns for Customers without Credit	136.9			136.9
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(329.7)			(329.7)
f. Decapitalizations	(13.3)		(5.4)	(7.9)
g. Issues/Receipts without Reimbursement (+/-)	(1.0)		(0.4)	(0.6)
h. Other (List and Explain)	60.5		24.4	36.1
i. Total Adjustments	367.4		260.4	107.0
INVENTORY - End of Period (EOP)	3,792.0	125.3	1,354.9	2,311.8
INVENTORY EOP - REVALUED	2,992.3	125.3	1,428.8	1,438.3
a. Economic Retention (Memo)				1,261.4
b. Contingency Retention (Memo)				145.4
c. Potential DoD Utilization (Memo)				31.5
INVENTORY ON ORDER EOP	924.1		924.1	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

Total Hardware Centers	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	7,202.7	210.8	2,804.9	4,187.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	7,202.7	210.8	2,804.9	4,187.0
RECEIPTS AT COST	2,661.1		2,661.1	
GROSS SALES AT COST	(3,263.9)		(3,263.9)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	1,385.0		1,112.8	272.2
b. Returns from Customers for Credit	103.5		103.5	
c. Returns for Customers without Credit	299.9			299.9
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(523.4)			(523.4)
f. Decapitalizations	(23.2)		(9.7)	(13.5)
g. Issues/Receipts without Reimbursement (+/-)	(42.5)		(18.7)	(23.8)
h. Other (List and Explain)	49.3		19.1	30.2
i. Total Adjustments	1,248.6		1,207.0	41.6
INVENTORY - End of Period (EOP)	7,848.5	210.8	3,409.2	4,228.5
INVENTORY EOP - REVALUED	6,263.6	210.8	3,084.3	2,968.5
a. Economic Retention (Memo)				2,725.2
b. Contingency Retention (Memo)				187.8
c. Potential DoD Utilization (Memo)				55.5
INVENTORY ON ORDER EOP	2,222.2		2,222.2	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

Base Operations Support	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	19.7		19.7	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	19.7		19.7	
RECEIPTS AT COST	21.7		21.7	
GROSS SALES AT COST	(23.8)		(23.8)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	0.1		0.1	
c. Returns for Customers without Credit				
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(1.5)		(1.5)	
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	(3.4)		(3.4)	
i. Total Adjustments	(4.8)		(4.8)	
INVENTORY - End of Period (EOP)	12.8		12.8	
INVENTORY EOP - REVALUED	12.8		12.8	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	0.4		0.4	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

National Security Agency	Total	Mobilization	Peacetime	
			Operating	Operating Other
INVENTORY - Beginning of Period (BOP)	12.4		12.4	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	12.4		12.4	
RECEIPTS AT COST	28.8		28.8	
GROSS SALES AT COST	(28.5)		(28.5)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	0.2		0.2	
c. Returns for Customers without Credit				
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(0.3)		(0.3)	
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	0.4		0.4	
i. Total Adjustments	0.3		0.3	
INVENTORY - End of Period (EOP)	13.0		13.0	
INVENTORY EOP - REVALUED	13.0		13.0	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	(14.9)		(14.9)	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1997 Inventory Status
(Dollars in Millions)

Defense Energy Support Center	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	1,840.2	1,175.0	665.2	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	1,840.2	1,175.0	665.2	
RECEIPTS AT COST	3,308.1		3,308.1	
GROSS SALES AT COST	(3,588.3)		(3,588.3)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	0.4		0.4	
b. Returns from Customers for Credit	161.9		161.9	
c. Returns for Customers without Credit	(0.6)		(0.6)	
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(0.1)		(0.1)	
f. Decapitalizations	(2.8)		(2.8)	
g. Issues/Receipts without Reimbursement (+/-)	(3.1)		(3.1)	
h. Other (List and Explain)	(24.6)		(24.6)	
i. Total Adjustments	131.1		131.1	
INVENTORY - End of Period (EOP)	1,691.1	1,175.0	516.1	
INVENTORY EOP - REVALUED	1,691.1	1,175.0	516.1	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	1,529.0		1,529.0	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

Defense Logistics Agency Total	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	11,636.8	1,703.3	5,376.9	4,556.6
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	11,636.8	1,703.3	5,376.9	4,556.6
RECEIPTS AT COST	9,621.0		9,621.0	
GROSS SALES AT COST	(9,896.1)		(9,896.1)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	202.0		146.0	56.0
b. Returns from Customers for Credit	317.2		317.2	
c. Returns for Customers without Credit	343.1		30.2	312.9
d. Returns to Suppliers (-)	(14.4)		(14.4)	
e. Transfers to Property Disposal (-)	(656.2)		(2.5)	(653.7)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(12.8)		(1.2)	(11.6)
h. Other (List and Explain)	60.1		28.5	31.6
i. Total Adjustments	239.0		503.8	(264.8)
INVENTORY - End of Period (EOP)	11,600.7	1,703.3	5,605.6	4,291.8
INVENTORY EOP - REVALUED	9,788.8	1,703.3	5,028.3	3,057.2
a. Economic Retention (Memo)				2,820.3
b. Contingency Retention (Memo)				173.5
c. Potential DoD Utilization (Memo)				63.4
INVENTORY ON ORDER EOP	4,212.5		4,212.5	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

Clothing and Textiles	Total	Mobilization	Peacetime	
			Operating	Operating Other
INVENTORY - Beginning of Period (BOP)	1,451.2	46.1	1,141.7	263.4
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	1,451.2	46.1	1,141.7	263.4
RECEIPTS AT COST	865.7		865.7	
GROSS SALES AT COST	(905.0)		(905.0)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	26.9		26.9	
c. Returns for Customers without Credit	27.7		27.7	
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(60.0)			(60.0)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(10.0)			(10.0)
h. Other (List and Explain)				
i. Total Adjustments	(15.4)		54.6	(70.0)
INVENTORY - End of Period (EOP)	1,396.5	46.1	1,157.0	193.4
INVENTORY EOP - REVALUED	1,243.7	46.1	1,065.8	131.8
a. Economic Retention (Memo)				122.5
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				9.3
INVENTORY ON ORDER EOP	527.7		527.7	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

Medical	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	235.0	20.2	150.2	64.6
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	235.0	20.2	150.2	64.6
RECEIPTS AT COST	1,008.5		1,008.5	
GROSS SALES AT COST	(1,002.4)		(1,002.4)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	2.0		2.0	
c. Returns for Customers without Credit	5.0			5.0
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(14.7)			(14.7)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	4.1		2.9	1.2
i. Total Adjustments	(3.6)		4.9	(8.5)
INVENTORY - End of Period (EOP)	237.5	20.2	161.2	56.1
INVENTORY EOP - REVALUED	163.5	20.2	124.3	19.0
a. Economic Retention (Memo)				13.4
b. Contingency Retention (Memo)				4.6
c. Potential DoD Utilization (Memo)				1.0
INVENTORY ON ORDER EOP	156.2		156.2	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

Subsistence	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	385.1	251.2	133.9	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	385.1	251.2	133.9	
RECEIPTS AT COST	1,039.1		1,039.1	
GROSS SALES AT COST	(1,050.8)		(1,050.8)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	8.0		8.0	
b. Returns from Customers for Credit	1.0		1.0	
c. Returns for Customers without Credit	2.5		2.5	
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(2.5)		(2.5)	
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	22.0		22.0	
i. Total Adjustments	31.0		31.0	
INVENTORY - End of Period (EOP)	404.4	251.2	153.2	
INVENTORY EOP - REVALUED	404.4	251.2	153.2	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	166.9		166.9	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group

FY 1998 Inventory Status

(Dollars in Millions)

			Peacetime	
Total Defense Supply Center Philadelphia (DSCP)	Total	Mobilization	Operating	Operating Other
INVENTORY - Beginning of Period (BOP)	2,071.3	317.5	1,425.8	328.0
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	2,071.3	317.5	1,425.8	328.0
RECEIPTS AT COST	2,913.3		2,913.3	
GROSS SALES AT COST	(2,958.2)		(2,958.2)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	8.0		8.0	
b. Returns from Customers for Credit	29.9		29.9	
c. Returns for Customers without Credit	35.2		30.2	5.0
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(77.2)		(2.5)	(74.7)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(10.0)			(10.0)
h. Other (List and Explain)	26.1		24.9	1.2
i. Total Adjustments	12.0		90.5	(78.5)
INVENTORY - End of Period (EOP)	2,038.4	317.5	1,471.4	249.5
INVENTORY EOP - REVALUED	1,811.6	317.5	1,343.3	150.8
a. Economic Retention (Memo)				135.9
b. Contingency Retention (Memo)				4.6
c. Potential DoD Utilization (Memo)				10.3
INVENTORY ON ORDER EOP	850.8		850.8	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

Richmond	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	2,876.5	65.7	1,499.7	1,311.1
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	2,876.5	65.7	1,499.7	1,311.1
RECEIPTS AT COST	1,217.3		1,217.3	
GROSS SALES AT COST	(1,208.0)		(1,208.0)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	100.0		100.0	
b. Returns from Customers for Credit	35.1		35.1	
c. Returns for Customers without Credit	120.0			120.0
d. Returns to Suppliers (-)	(0.3)		(0.3)	
e. Transfers to Property Disposal (-)	(100.0)			(100.0)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(1.8)		(0.8)	(1.0)
h. Other (List and Explain)	108.9		47.9	61.0
i. Total Adjustments	261.9		181.9	80.0
INVENTORY - End of Period (EOP)	3,147.7	65.7	1,690.9	1,391.1
INVENTORY EOP - REVALUED	2,666.9	65.7	1,345.1	1,256.1
a. Economic Retention (Memo)				1,235.3
b. Contingency Retention (Memo)				3.6
c. Potential DoD Utilization (Memo)				17.1
INVENTORY ON ORDER EOP	1,046.8		1,046.8	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

			Peacetime	
Industrial	Total	Mobilization	Operating	Operating Other
INVENTORY - Beginning of Period (BOP)	1,180.0	19.8	554.5	605.7
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	1,180.0	19.8	554.5	605.7
RECEIPTS AT COST	790.1		790.1	
GROSS SALES AT COST	(820.9)		(820.9)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	4.0		1.7	2.3
b. Returns from Customers for Credit	15.5		15.5	
c. Returns for Customers without Credit	37.9			37.9
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(56.5)			(56.5)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	(19.0)		(8.1)	(10.9)
i. Total Adjustments	(18.1)		9.1	(27.2)
INVENTORY - End of Period (EOP)	1,131.1	19.8	532.8	578.5
INVENTORY EOP - REVALUED	826.6	19.8	427.4	379.4
a. Economic Retention (Memo)				334.4
b. Contingency Retention (Memo)				36.8
c. Potential DoD Utilization (Memo)				8.2
INVENTORY ON ORDER EOP	204.1		204.1	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

Columbus	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	3,792.0	125.3	1,354.9	2,311.8
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	3,792.0	125.3	1,354.9	2,311.8
RECEIPTS AT COST	1,303.0		1,303.0	
GROSS SALES AT COST	(1,480.5)		(1,480.5)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	90.0		36.3	53.7
b. Returns from Customers for Credit	60.0		60.0	
c. Returns for Customers without Credit	150.0			150.0
d. Returns to Suppliers (-)	(14.1)		(14.1)	
e. Transfers to Property Disposal (-)	(422.5)			(422.5)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(1.0)		(0.4)	(0.6)
h. Other (List and Explain)	(33.0)		(13.3)	(19.7)
i. Total Adjustments	(170.6)		68.5	(239.1)
INVENTORY - End of Period (EOP)	3,443.9	125.3	1,245.9	2,072.7
INVENTORY EOP - REVALUED	2,644.2	125.3	1,248.0	1,270.9
a. Economic Retention (Memo)				1,114.5
b. Contingency Retention (Memo)				128.5
c. Potential DoD Utilization (Memo)				27.8
INVENTORY ON ORDER EOP	964.8		964.8	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

Total Hardware Centers	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	7,848.5	210.8	3,409.2	4,228.5
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	7,848.5	210.8	3,409.2	4,228.5
RECEIPTS AT COST	3,310.4		3,310.4	
GROSS SALES AT COST	(3,509.4)		(3,509.4)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	194.0		138.0	56.0
b. Returns from Customers for Credit	110.6		110.6	
c. Returns for Customers without Credit	307.9			307.9
d. Returns to Suppliers (-)	(14.4)		(14.4)	0.0
e. Transfers to Property Disposal (-)	(579.0)			(579.0)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(2.8)		(1.2)	(1.6)
h. Other (List and Explain)	56.9		26.6	30.3
i. Total Adjustments	73.2		259.5	(186.3)
INVENTORY - End of Period (EOP)	7,722.7	210.8	3,469.7	4,042.2
INVENTORY EOP - REVALUED	6,137.7	210.8	3,020.5	2,906.4
a. Economic Retention (Memo)				2,684.2
b. Contingency Retention (Memo)				168.9
c. Potential DoD Utilization (Memo)				53.1
INVENTORY ON ORDER EOP	2,215.7		2,215.7	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

Base Operations Support	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	12.8		12.8	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	12.8		12.8	
RECEIPTS AT COST	23.2		23.2	
GROSS SALES AT COST	(26.4)		(26.4)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	0.7		0.7	
c. Returns for Customers without Credit				
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)				
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	0.1			
i. Total Adjustments	0.8		0.7	
INVENTORY - End of Period (EOP)	10.4		10.4	
INVENTORY EOP - REVALUED	10.4		10.4	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	0.4		0.4	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

			Peacetime	
National Security Agency	Total	Mobilization	Operating	Operating Other
INVENTORY - Beginning of Period (BOP)	13.0		13.0	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	13.0		13.0	
RECEIPTS AT COST	30.0		30.0	
GROSS SALES AT COST	(30.8)		(30.8)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	0.3		0.3	
c. Returns for Customers without Credit				
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)				
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)				
i. Total Adjustments	0.3		0.3	
INVENTORY - End of Period (EOP)	12.5		12.5	
INVENTORY EOP - REVALUED	12.5		12.5	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	(14.9)		(14.9)	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1998 Inventory Status
(Dollars in Millions)

			Peacetime	
Defense Energy Support Center	**Total**	**Mobilization**	**Operating**	**Operating Other**
INVENTORY - Beginning of Period (BOP)	1,691.1	1,175.0	516.1	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	1,691.1	1,175.0	516.1	
RECEIPTS AT COST	3,344.1		3,344.1	
GROSS SALES AT COST	(3,371.3)		(3,371.3)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	175.7		175.7	
c. Returns for Customers without Credit				
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)				
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	(22.9)		(22.9)	
i. Total Adjustments	152.8		152.8	
INVENTORY - End of Period (EOP)	1,816.7	1,175.0	641.7	
INVENTORY EOP - REVALUED	1,816.7	1,175.0	641.7	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	1,160.5		1,160.5	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

Defense Logistics Agency Total	Total	Mobilization	Peacetime	
			Operating	Operating Other
INVENTORY - Beginning of Period (BOP)	11,600.7	1,703.3	5,605.6	4,291.8
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	11,600.7	1,703.3	5,605.6	4,291.8
RECEIPTS AT COST	9,213.4		9,213.4	
GROSS SALES AT COST	(9,805.8)		(9,805.8)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	96.6		72.7	23.9
b. Returns from Customers for Credit	344.1		344.1	
c. Returns for Customers without Credit	355.5		37.5	318.0
d. Returns to Suppliers (-)	(15.1)		(15.1)	
e. Transfers to Property Disposal (-)	(640.2)		(18.5)	(621.7)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(18.0)		(11.5)	(6.5)
h. Other (List and Explain)	(24.3)		1.7	(26.0)
i. Total Adjustments	98.6		410.9	(312.3)
INVENTORY - End of Period (EOP)	11,106.9	1,703.3	5,424.1	3,979.5
INVENTORY EOP - REVALUED	9,294.9	1,703.3	4,726.9	2,864.7
a. Economic Retention (Memo)				2,656.0
b. Contingency Retention (Memo)				150.7
c. Potential DoD Utilization (Memo)				57.9
INVENTORY ON ORDER EOP	4,351.7		4,351.7	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group

FY 1999 Inventory Status

(Dollars in Millions)

Clothing and Textiles	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	1,396.5	46.1	1,157.0	193.4
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	1,396.5	46.1	1,157.0	193.4
RECEIPTS AT COST	671.0		671.0	
GROSS SALES AT COST	(926.5)		(926.5)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	36.6		36.6	
b. Returns from Customers for Credit	28.1		28.1	
c. Returns for Customers without Credit	35.0		35.0	
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(20.0)		(16.0)	(4.0)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(10.0)		(8.0)	(2.0)
h. Other (List and Explain)	20.8		20.8	
i. Total Adjustments	90.5		96.5	(6.0)
INVENTORY - End of Period (EOP)	1,231.5	46.1	998.0	187.4
INVENTORY EOP - REVALUED	1,078.7	46.1	918.3	114.3
a. Economic Retention (Memo)				106.2
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				8.1
INVENTORY ON ORDER EOP	680.5		680.5	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

Medical	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	237.5	20.2	161.2	56.1
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	237.5	20.2	161.2	56.1
RECEIPTS AT COST	1,001.9		1,001.9	
GROSS SALES AT COST	(1,007.0)		(1,007.0)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	2.0		2.0	
c. Returns for Customers without Credit	4.6			4.6
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(11.1)			(11.1)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	6.8		4.7	2.1
i. Total Adjustments	2.3		6.7	(4.4)
INVENTORY - End of Period (EOP)	234.7	20.2	162.8	51.7
INVENTORY EOP - REVALUED	160.7	20.2	121.9	18.6
a. Economic Retention (Memo)				13.2
b. Contingency Retention (Memo)				4.5
c. Potential DoD Utilization (Memo)				1.0
INVENTORY ON ORDER EOP	166.7		166.7	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

Subsistence	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	404.4	251.2	153.2	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	404.4	251.2	153.2	
RECEIPTS AT COST	1,066.4		1,066.4	
GROSS SALES AT COST	(1,085.7)		(1,085.7)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	1.0		1.0	
c. Returns for Customers without Credit	2.5		2.5	
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(2.5)		(2.5)	
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	10.0		10.0	
i. Total Adjustments	11.0		11.0	
INVENTORY - End of Period (EOP)	396.1	251.2	144.9	
INVENTORY EOP - REVALUED	396.1	251.2	144.9	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	185.4		185.4	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

Total Defense Supply Center Philadelphia (DSCP)	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	2,038.4	317.5	1,471.4	249.5
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	2,038.4	317.5	1,471.4	249.5
RECEIPTS AT COST	2,739.3		2,739.3	
GROSS SALES AT COST	(3,019.2)		(3,019.2)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	36.6		36.6	
b. Returns from Customers for Credit	31.1		31.1	
c. Returns for Customers without Credit	42.1		37.5	4.6
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(33.6)		(18.5)	(15.1)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(2.0)			(2.0)
h. Other (List and Explain)	37.6		35.5	2.1
i. Total Adjustments	111.8		122.3	(10.5)
INVENTORY - End of Period (EOP)	1,862.3	317.5	1,305.8	239.0
INVENTORY EOP - REVALUED	1,635.5	317.5	1,185.0	133.0
a. Economic Retention (Memo)				119.4
b. Contingency Retention (Memo)				4.5
c. Potential DoD Utilization (Memo)				9.1
INVENTORY ON ORDER EOP	1,032.6		1,032.6	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

Richmond	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	3,147.7	65.7	1,690.9	1,391.1
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	3,147.7	65.7	1,690.9	1,391.1
RECEIPTS AT COST	1,276.7		1,276.7	
GROSS SALES AT COST	(1,308.0)		(1,308.0)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	20.0		20.0	
b. Returns from Customers for Credit	36.0		36.0	
c. Returns for Customers without Credit	120.0			120.0
d. Returns to Suppliers (-)	(1.0)		(1.0)	
e. Transfers to Property Disposal (-)	(200.0)			(200.0)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(8.0)		(3.5)	(4.5)
h. Other (List and Explain)	178.2		78.4	99.8
i. Total Adjustments	145.2		129.9	15.3
INVENTORY - End of Period (EOP)	3,261.6	65.7	1,789.5	1,406.4
INVENTORY EOP - REVALUED	2,780.8	65.7	1,405.3	1,309.8
a. Economic Retention (Memo)				1,288.0
b. Contingency Retention (Memo)				3.8
c. Potential DoD Utilization (Memo)				17.8
INVENTORY ON ORDER EOP	964.6		964.6	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

			Peacetime	
Industrial	**Total**	**Mobilization**	**Operating**	**Operating Other**
INVENTORY - Beginning of Period (BOP)	1,131.1	19.8	532.8	578.5
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	1,131.1	19.8	532.8	578.5
RECEIPTS AT COST	746.7		746.7	
GROSS SALES AT COST	(791.3)		(791.3)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	12.0		12.0	
c. Returns for Customers without Credit	43.4			43.4
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)	(55.7)			(55.7)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	(43.2)		(18.3)	(24.9)
i. Total Adjustments	(43.5)		(6.3)	(37.2)
INVENTORY - End of Period (EOP)	1,043.0	19.8	481.9	541.3
INVENTORY EOP - REVALUED	738.5	19.8	379.7	339.0
a. Economic Retention (Memo)				298.8
b. Contingency Retention (Memo)				32.9
c. Potential DoD Utilization (Memo)				7.3
INVENTORY ON ORDER EOP	172.5		172.5	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

Columbus	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	3,443.9	125.3	1,245.9	2,072.7
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	3,443.9	125.3	1,245.9	2,072.7
RECEIPTS AT COST	1,290.0		1,290.0	
GROSS SALES AT COST	(1,393.0)		(1,393.0)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	40.0		16.1	23.9
b. Returns from Customers for Credit	60.0		60.0	
c. Returns for Customers without Credit	150.0			150.0
d. Returns to Suppliers (-)	(14.1)		(14.1)	
e. Transfers to Property Disposal (-)	(350.9)			(350.9)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	(172.5)		(69.5)	(103.0)
i. Total Adjustments	(287.5)		(7.5)	(280.0)
INVENTORY - End of Period (EOP)	3,053.4	125.3	1,135.4	1,792.7
INVENTORY EOP - REVALUED	2,253.7	125.3	1,045.2	1,083.0
a. Economic Retention (Memo)				949.8
b. Contingency Retention (Memo)				109.5
c. Potential DoD Utilization (Memo)				23.7
INVENTORY ON ORDER EOP	917.1		917.1	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

Total Hardware Centers	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	7,722.7	210.8	3,469.7	4,042.2
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	7,722.7	210.8	3,469.7	4,042.2
RECEIPTS AT COST	3,313.4		3,313.4	
GROSS SALES AT COST	(3,492.3)		(3,492.3)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)	60.0		36.1	23.9
b. Returns from Customers for Credit	108.0		108.0	
c. Returns for Customers without Credit	313.4			313.4
d. Returns to Suppliers (-)	(15.1)		(15.1)	
e. Transfers to Property Disposal (-)	(606.6)			(606.6)
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)	(8.0)		(3.5)	(4.5)
h. Other (List and Explain)	(37.5)		(9.4)	(28.1)
i. Total Adjustments	(185.8)		116.1	(301.9)
INVENTORY - End of Period (EOP)	7,358.0	210.8	3,406.8	3,740.4
INVENTORY EOP - REVALUED	5,772.8	210.8	2,830.3	2,731.8
a. Economic Retention (Memo)				2,536.6
b. Contingency Retention (Memo)				146.2
c. Potential DoD Utilization (Memo)				48.9
INVENTORY ON ORDER EOP	2,054.2		2,054.2	

AMENDED FY 99 BUDGET ESTIMATES
Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

Base Operations Support	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	10.4		10.4	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	10.4		10.4	
RECEIPTS AT COST	22.7		22.7	
GROSS SALES AT COST	(25.5)		(25.5)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	0.6		0.6	
c. Returns for Customers without Credit				
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)				
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)				
i. Total Adjustments	0.6		0.6	
INVENTORY - End of Period (EOP)	8.2		8.2	
INVENTORY EOP - REVALUED	8.2		8.2	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	0.4		0.4	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

National Security Agency	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	12.5		12.5	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	12.5		12.5	
RECEIPTS AT COST	30.0		30.0	
GROSS SALES AT COST	(30.8)		(30.8)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	0.3		0.3	
c. Returns for Customers without Credit				
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)				
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)				
i. Total Adjustments	0.3		0.3	
INVENTORY - End of Period (EOP)	12.0		12.0	
INVENTORY EOP - REVALUED	12.0		12.0	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	(14.9)		(14.9)	

AMENDED FY 99 BUDGET ESTIMATES

Defense Logistics Agency - Supply Management Activity Group
FY 1999 Inventory Status
(Dollars in Millions)

Defense Energy Support Center	Total	Mobilization	Peacetime Operating	Peacetime Operating Other
INVENTORY - Beginning of Period (BOP)	1,816.7	1,175.0	641.7	
BOP INVENTORY ADJUSTMENTS				
a. Reclassification Change (Memo)				
b. Price Change Amount (Memo)				
c. Inventory Reclassified and Repriced	1,816.7	1,175.0	641.7	
RECEIPTS AT COST	3,108.0		3,108.0	
GROSS SALES AT COST	(3,238.0)		(3,238.0)	
INVENTORY ADJUSTMENTS				
a. Capitalizations + or (-)				
b. Returns from Customers for Credit	204.1		204.1	
c. Returns for Customers without Credit				
d. Returns to Suppliers (-)				
e. Transfers to Property Disposal (-)				
f. Decapitalizations				
g. Issues/Receipts without Reimbursement (+/-)				
h. Other (List and Explain)	(24.4)		(24.4)	
i. Total Adjustments	179.7		179.7	
INVENTORY - End of Period (EOP)	1,866.4	1,175.0	691.4	
INVENTORY EOP - REVALUED	1,866.4	1,175.0	691.4	
a. Economic Retention (Memo)				
b. Contingency Retention (Memo)				
c. Potential DoD Utilization (Memo)				
INVENTORY ON ORDER EOP	1,279.4		1,279.4	

FY 1999 AMENDED BUDGET ESTIMATES
DEFENSE LOGISTICS AGENCY - SUPPLY MANAGEMENT BY DIVISION
Date: February 1998
FY 1997
(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales	Obligation Targets Operating	Mobilization	Other	Total	Commitment Target	Total Target
CLOTHING & TEXTILES	1405.1	951.6	1,016.8	1,059.7	7.1	4.3	1,071.1	280.0	1,351.1
MEDICAL	214.8	982.6	1,050.8	1,131.4	13.0	0.0	1,144.4	60.0	1,204.4
SUBSISTENCE	133.9	1,131.4	1,131.4	1,116.6	0.5	0.0	1,117.1	47.9	1,165.0
RICHMOND	2,810.8	1,464.1	1,415.1	1,543.7	4.6	0.0	1,548.3	414.0	1,962.3
INDUSTRIAL	1,160.2	917.9	915.4	944.4	0.2	0.0	944.6	127.1	1,071.7
COLUMBUS	0.0	1,717.9	1,752.2	1,913.3	1.0	0.0	1,914.3	480.0	2,394.3
BOS	12.8	24.5	23.7	19.6	0.0	0.0	19.6	0.0	19.6
NSA	13.0	46.5	27.4	24.8	0.0	0.0	24.8	0.0	24.8
DLSC	0.0	0.0	0.0	69.5	0.0	0.0	69.5	0.0	69.5
SUBTOTAL	5,750.6	7,236.5	7,332.8	7,823.0	26.4	4.3	7,853.7	1,409.0	9,262.7
FUEL	516.1	3,709.7	3,709.7	3,475.7	0.0	0.0	3,475.7	0.0	3,475.7
TOTAL	6,266.7	10,946.2	11,042.5	11,298.7	26.4	4.3	11,329.4	1,409.0	12,738.4

FY 1999 AMENDED BUDGET ESTIMATES
DEFENSE LOGISTICS AGENCY - SUPPLY MANAGEMENT BY DIVISION
Date: February 1998
FY 1998
(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,185.4	1,030.5	1,030.5	1,024.1	7.6	5.0	1,036.7	280.0	1,316.7
MEDICAL	214.5	1,057.8	1,069.3	1,057.1	12.8	0.0	1,069.9	60.0	1,129.9
SUBSISTENCE	144.9	1,175.0	1,175.0	1,233.2	3.6	0.0	1,236.8	17.7	1,254.5
RICHMOND	3,195.9	1,526.6	1,509.1	1,713.1	6.5	0.0	1,719.6	451.5	2,171.1
INDUSTRIAL	1,023.2	1,026.6	1,022.6	1,081.7	0.7	0.0	1,082.4	140.3	1,222.7
COLUMBUS	2,928.1	1,835.3	1,840.3	2,018.6	3.8	0.0	2,022.4	480.0	2,502.4
BOS	8.2	20.2	25.7	23.2	0.0	0.0	23.2	0.0	23.2
NSA	12.0	30.7	30.5	30.0	0.0	0.0	30.0	0.0	30.0
DLSC	0.0	0.0	0.0	120.0	0.0	0.0	120.0	0.0	120.0
SUBTOTAL	8,712.2	7,702.7	7,703.0	8,301.0	35.0	5.0	8,341.0	1,429.5	9,770.5
FUEL	691.4	4,200.4	4,200.4	4,001.0	0.0	0.0	4,001.0	0.0	4,001.0
TOTAL	9,403.6	11,903.1	11,903.4	12,302.0	35.0	5.0	12,342.0	1,429.5	13,771.5

FY 1999 AMENDED BUDGET ESTIMATES
DEFENSE LOGISTICS AGENCY - SUPPLY MANAGEMENT BY DIVISION
Date: February 1998
FY 1999
(Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,350.4	991.4	1,003.3	1,138.5	8.0	5.0	1,151.5	313.4	1,464.9
MEDICAL	217.3	1,030.7	1,044.5	1,126.8	14.3	0.0	1,141.1	93.4	1,234.5
SUBSISTENCE	153.2	1,170.3	1,170.3	1,267.3	0.8	0.0	1,268.1	51.0	1,319.1
RICHMOND	3,082.0	1,583.6	1,578.7	1,721.2	7.4	0.0	1,728.6	527.3	2,255.9
INDUSTRIAL	1,111.3	983.2	989.2	1,059.4	1.3	0.0	1,060.7	169.1	1,229.8
COLUMBUS	3,318.6	1,735.1	1,757.1	1,923.1	7.3	0.0	1,930.4	473.3	2,403.7
BOS	10.4	19.3	24.9	22.7	0.0	0.0	22.7	0.0	22.7
NSA	12.5	30.7	30.5	30.0	0.0	0.0	30.0	0.0	30.0
DLSC	0.0	0.0	0.0	135.7	0.0	0.0	135.7	0.0	135.7
SUBTOTAL	9,255.7	7,544.3	7,598.5	8,424.7	39.1	5.0	8,468.8	1,627.5	10,096.3
FUEL	641.7	3,831.1	3,831.1	4,486.2	0.0	0.0	4,486.2	0.0	4,486.2
TOTAL	9,897.4	11,375.4	11,429.6	12,910.9	39.1	5.0	12,955.0	1,627.5	14,582.5

DEFENSE-WIDE WORKING CAPITAL FUND
FY 1999 AMENDED BUDGET ESTIMATES
Component: Defense Logistics Agency
Activity Group: Supply Management
WHOLESALE ONLY - CUSTOMER PRICE CHANGE
Date: February 1998

	FY 1997	FY 1998	FY 1999
1. Net Sales at Cost	5,680.2	5,937.0	6,012.1
2. Less: Material Inflation Adjustment	15.0	165.0	266.1
3. Revised Net Sales @ Cost	5,665.2	5,772.0	5,746.0
4. Surcharge ($)	1,456.6	1,449.0	1,264.5
5. Change to Customers			
a. Previous Year's Surcharge (%)	28.7%	26.0%	28.0%
b. This Year's Surcharge ($) and materiel inflation ($) divided by line 3 above	26.0%	28.0%	26.6%
c. Percent Change to Customer	-2.1%	1.6%	-1.0%

FY 1999 AMENDED BUDGET ESTIMATES							February 1998
FY 1997	PROCURED FROM DFSC (Net Sales to Customers)			PROCURED FROM SERVICE			
FUEL DATA Product	Barrels (Millilons)	Inflated Cost	Extended Price ($Mil)	Barrels (Millions)	Cost Per Barrel ($)	Extended Price ($Mil)	Stabilized Price
BULK:							
JP4	0.1	$32.34	$3.2				
J50,JA1,JAA,JAB	0.9	$32.34	$29.1				
DISTILLATES (F76, DFW)	16.9	$31.08	$522.3				
DIESEL	1.3	$28.98	$37.7				
JP5	18.4	$33.18	$607.5				
JP8	62.3	$32.34	$2,003.8				
MOGAS (Leaded)	0.2						
MOGAS (Unleaded)							
Premium (MUP)	0.1	$31.50	$3.2				
Midgrade (MUM)	0.2	$31.08	$6.2				
Regular (MUR)	0.1	$30.66	$3.1				
RESIDUALS	0.2	$18.90	$3.8				
TOTAL BULK	100.7	$31.98	$3,219.9				
PC&S:							
DIESEL	2.9	$28.98	$83.7				
MOGAS (Leaded)	0.2	$38.22	$7.6				
MOGAS (Unleaded)							
Premium (MUP)	0.1	$31.50	$3.2				
Midgrade (MUM)	0.2	$31.08	$6.2				
Regular (MUR)	0.1	$30.66	$3.1				
RESIDUALS	1.2	$18.90	$22.6				
TOTAL PC&S	4.7	$26.89	$126.4				
INTOPLANE:							
Contract Purchase Jet Fuel	3.7	$41.58	$153.9				
BUNKERS:							
DISTILLATES (F76, DFW)	0.1	$28.56	$2.9				
DIESEL	1.7	$28.56	$48.5				
RESIDUALS	0.8	$18.06	$14.4				
TOTAL BUNKERS	2.6	$25.31	$65.8				
TOTAL	111.7	$31.92	$3,566.0				

FY 1999 AMENDED BUDGET ESTIMATES							February 1998
FY 1998	PROCURED FROM DFSC (Net Sales to Customers)			PROCURED FROM SERVICE			
FUEL DATA Product	Barrels (Milllions)	Inflated Cost	Extended Price ($Mil)	Barrels (Millions)	Cost Per Barrel ($)	Extended Price ($Mil)	Stabilized Price
BULK:							
JP4	0.1	$46.73	$2.83	$49.56	$5.0		
J50,JA1,JAA,JAB	0.9	$34.55	$2.83	$37.38	$33.9		
DISTILLATES (F76, DFW)	16.6	$34.13	$2.83	$36.96	$616.5		
DIESEL	1.3	$32.03	$2.83	$34.86	$45.6		
JP5	18.1	$36.23	$2.83	$39.06	$710.0		
JP8	61.2	$35.39	$2.83	$38.22	$2,350.1		
MOGAS (Leaded)	0.2	$42.11	$2.83	$44.94	$9.0		
MOGAS (Unleaded)							
Premium (MUP)	0.1	$34.55	$2.83	$37.38	$3.7		
Midgrade (MUM)	0.2	$34.13	$2.83	$36.96	$7.4		
Regular (MUR)	0.1	$33.71	$2.83	$36.54	$3.7		
RESIDUALS	0.2	$20.27	$2.83	$23.10	$4.6		
TOTAL BULK	99.0			$38.28	$3,789.4		
PC&S:							
DIESEL	2.9	$32.03	$2.83	$34.86	$102.1		
MOGAS (Leaded)	0.2	$42.11	$2.83	$44.94	$9.0		
MOGAS (Unleaded)							
Premium (MUP)	0.1	$34.55	$2.83	$37.38	$3.7		
Midgrade (MUM)	0.2	$34.13	$2.83	$36.96	$7.4		
Regular (MUR)	0.1	$33.71	$2.83	$36.54	$3.7		
RESIDUALS	1.2	$20.27	$2.83	$23.10	$28.0		
TOTAL PC&S	4.7			$32.73	$153.9		
INTOPLANE:							
Contract Purchase Jet Fuel	3.6	$45.89	$2.83	$48.72	$176.4		
BUNKERS:							
DISTILLATES (F76, DFW)	0.1	$31.61	$2.83	$34.44	$3.4		
DIESEL	1.7	$31.61	$2.83	$34.44	$59.5		
RESIDUALS	0.8	$19.43	$2.83	$22.26	$17.8		
TOTAL BUNKERS	2.6			$31.04	$80.7		
TOTAL	109.9			$38.22	$4,200.4		

FY 1999 AMENDED BUDGET ESTIMATES							February 1998
FY 1999	PROCURED FROM DFSC (Net Sales to Customers)			PROCURED FROM SERVICE			
FUEL DATA Product	Barrels (Milllions)	Inflated Cost	Extended Price ($Mil)	Barrels (Millions)	Cost Per Barrel ($)	Extended Price ($Mil)	Stabilized Price
BULK:							
JP4	0.1	$45.36		$45.36	$4.5		
J50,JA1,JAA,JAB	0.9	$34.02		$34.02	$30.6		
DISTILLATES (F76, DFW)	16.6	$33.60		$33.60	$560.8		
DIESEL	1.3	$31.92		$31.92	$41.5		
JP5	18.1	$35.70		$35.70	$649.2		
JP8	61.2	$34.86		$34.86	$2,144.4		
MOGAS (Leaded)	0.2	$41.16		$41.16	$8.2		
MOGAS (Unleaded)							
Premium (MUP)	0.1	$36.96		$36.96	$3.7		
Midgrade (MUM)	0.2	$35.28		$35.28	$7.1		
Regular (MUR)	0.1	$33.18		$33.18	$3.3		
RESIDUALS	0.2	$21.00		$21.00	$4.2		
TOTAL BULK	99.0			$34.92	$3,457.5		
PC&S:							
DIESEL	2.9	$31.92		$31.92	$92.6		
MOGAS (Leaded)	0.2	$41.16		$41.16	$8.2		
MOGAS (Unleaded)							
Premium (MUP)	0.1	$36.96		$36.96	$3.7		
Midgrade (MUM)	0.2	$35.28		$35.28	$7.1		
Regular (MUR)	0.1	$33.18		$33.18	$3.3		
RESIDUALS	1.2	$21.00		$21.00	$25.2		
TOTAL PC&S	4.7			$29.81	$140.1		
INTOPLANE:							
Contract Purchase Jet Fuel	3.6	$44.52		$44.52	$160.3		
BUNKERS:							
DISTILLATES (F76, DFW)	0.1	$31.50		$31.50	$3.2		
DIESEL	1.7	$31.50		$31.50	$53.6		
RESIDUALS	0.8	$20.16		$20.16	$16.1		
TOTAL BUNKERS	2.6			$28.04	$72.9		
TOTAL	109.9			$34.86	$3,830.8		

DEFENSE-WIDE WORKING CAPITAL FUND
Changes in Cost of Operations
Component: Defense Logistics Agency
Activity Group: Supply Management
Date: February 1998
(Dollars In Millions)

		Obligations	
FY 1997 Actual			11,094.3
Pricing Adjustments		693.5	
Annualization of FY 97 Pay Raise: Civilian	4.6		
FY 98 Pay Raise	12.8		
Military Personnel	0.6		
Nonlabor Inflation	3.5		
Distribution Depot Rate	6.4		
Non-Fuel Material Inflation	87.2		
Fuel Inflation	573.6		
Material Related Inflation	4.8		
Productivity Initiatives and Other Efficiencies		(4.0)	
Labor Productivity	(4.0)		
Workload Changes		(474.4)	
Material (Fuel)	(509.6)		
Material (Non-Fuel) to support increased sales	49.6		
Heavy Equipment Program (HEPP)	(14.4)		
Other Changes		715.2	
CSRS Retirement	2.9		
Homeless Blankets	(3.1)		
New Item Introduction	59.5		
Price Comparability	32.4		
Materiel Related (Non-Fuel)	32.5		
Materiel Related (Fuel)	265.1		
Warstoppers	7.7		
Defense Energy Management Center	162.0		
National Imaging and Mapping Agency	4.9		
Defense Reutilization & Marketing Service	90.5		
Natural Gas	15.1		
Distribution Depots	16.1		
Equipment Purchase	(19.6)		
Defense Finance & Accounting Service	1.8		
Defense Logistics Services Center	50.9		
Base Realignment and Closure	(13.2)		
Other	9.7		
FY 1998 Current Estimate			12,024.6

DEFENSE-WIDE WORKING CAPITAL FUND
Changes in Cost of Operations
Component: Defense Logistics Agency
Activity Group: Supply Management
Date: February 1998
(Dollars In Millions)

		Obligations	
FY 1998 Current Estimate			12,024.6
Pricing Adjustments		(113.0)	
Annualization of FY 98 Pay Raise: Civilian	4.7		
FY 99 Pay Raise	15.5		
Military Personnel	0.9		
Nonlabor Inflation	12.7		
Distribution Depot Rate	7.2		
Non-Fuel Material Inflation	96.9		
Fuel Inflation	(261.9)		
Material Related Inflation	11.0		
Productivity Initiatives and Other Efficiencies		(39.7)	
Labor Productivity	(39.7)		
Workload Changes		529.4	
Material (Fuel)	492.9		
Material (Non-Fuel)	28.4		
Heavy Equipment Program (HEPP)	8.1		
Other Changes		215.3	
CSRS Retirement	2.9		
Military Personnel	(1.8)		
Homeless Blankets	3.2		
Price Comparability	(5.7)		
Materiel Related (Fuel)	27.5		
Warstoppers	3.4		
Defense Energy Management Center	226.6		
Defense Reutilization & Marketing Service	(71.9)		
Ozone	(3.1)		
Distribution Depots	7.9		
Major Maintenance & Repair	6.9		
Defense Finance & Accounting Service	1.9		
Defense Logistics Services Center	19.1		
Base Realignment and Closure	11.7		
HTIS	(1.7)		
Joint Logistics Service Center	(2.5)		
Support to Others	(27.3)		
Other	18.2		
FY 1999 Current Estimate			12,616.6

DEFENSE-WIDE WORKING CAPITAL FUND
DEFENSE LOGISTICS AGENCY
FY 1999 AMENDED BUDGET ESTIMATES
DISTRIBUTION DEPOTS

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) distribution depots are responsible for the receipt, storage, and issue of approximately 23 million lines of workload per year. On October 1, 1997, DLA established the Defense Distribution Center (DDC) at New Cumberland, PA, and began realigning the DLA distribution depot system which consisted of two Distribution Region Headquarters located at New Cumberland, PA (DDRE) and Stockton, California (DDRW). Each of the 22 distribution depots will now report to the DDC. Customers include components of all Military Services and authorized civil agencies within designated geographical areas.

The realignment is part of an overall reduction of Defense Department support activities and will allow DLA to bring its operating costs into line with today's smaller military force. By eliminating one of two existing regions and streamlining the remaining management structure, DLA will eventually need about 850 fewer people, thus saving approximately $29 million per year beginning in 2000, increasing to $34 million per year thereafter.

The DDC will be composed of approximately 350 personnel, most of whom will be civilian employees. The size and structure was determined by a team of distribution experts from throughout DLA. Since 1992 the number of depots operated by DLA has decreased from 30 with an additional 32 remote sites to 19 depots with one additional site. At the same time, lines processed have decreased from 44 million to 22.9 million in FY 1999. As a result, DLA has been able to substantially decrease its span of control from four regional organizations to one single streamlined command. The new organization's structure takes advantage of the latest organizational design concepts and will rely on a wide range of modern communication and information technology

While both regional headquarters were affected by this action, the majority of the employees at the two sites remain in place because they are assigned to DLA distribution depots which are collocated on the two installations and which will remain as DLA's primary distribution sites. The Defense Depot Susquehanna, Pennsylvania, will retain about 2,350 jobs, while the Defense Depot San Joaquin, California, will still employ 1,960. Thus, the two affected communities will continue to play critical roles in supporting military forces throughout the world.

The Distribution portion of the Defense Logistics Support Command (DLSC) Business Plan is currently being revised to reflect the ever changing business environment. The existing plan consists of nine goals specific to Distribution : (1) Dramatically improve response time, reliability, and communications; (2) Greatly reduce the total cost to our customers; (3) Invest in our people to enable them to deliver and sustain world class logistics performance levels; (4) Significantly enhance the ease with which we interface and partner with our suppliers; (5) Reduce the infrastructure needed to accomplish our mission; (6) Integrate logistics research and development into the planning and delivery of future integrated logistics capabilities; (7) Significantly expand our use of commercial business practices in the execution of our mission; (8) Develop and execute an overall strategy for leveraging information technology into our integrated logistics solutions; and, (9) Create a seamless logistics support process that moves materiel from the factory to the customer rapidly and with minimal intermediate handling.

The primary focus of these efforts is to reduce logistics cycle times and to streamline the infrastructure. In addition, we are moving to a much more agile and responsive Distribution system. Our processing time frames have been dramatically reduced in an effort to help the Services and DLA achieve the various Streamlining Logistics efforts ongoing Department of Defense (DoD) wide.

DLA has been able to make great steps in reducing the number of depots through Base Realignment and Closure (BRAC) Commission decisions in 1993 and 1995, from 30 depots in 1992 to 24 in 1996. The BRAC IV decisions resulted in Ogden and Memphis depots closed and Columbus depot realigned in FY 1997. Three additional distribution depots are scheduled for closure during the FY 1998-FY 2001 time period: Letterkenny in FY 1998, and San Antonio and McClellan in FY 2001. There will be 19 depots remaining after BRAC-designated depots have been closed. These closures should result in significant future savings that will be passed on to customers that are reflected in this budget.

DLA successfully outsourced the Defense Distribution Depot San Antonio, collocated with the San Antonio Air Logistics Center. The contract was awarded in early December 1997. A transition to a contractor operated facility is scheduled for March 14, 1998. This facility will be run by private contractor until FY 2001 closure. This effort will serve as a model for future outsourcing.

The DLSC is currently planning to restructure the workload at most of the remaining depots and to simultaneously compete them with private industry. This involves identifying core and non-core missions, setting up the most efficient organizations and other A-76 actions. In April 1998, three depots will begin a competition process, which is estimated to take 24 months. A new group of depots will begin their competition

approximately every 9 months. Labor savings of approximately 20 percent are anticipated no matter who wins the competitions. Full investments and savings will be included in the next budget submission.

To date, overall performance has improved while costs continue to decrease. Continuing process efficiencies, base closures, and a steady drop in mission workload have led to significant reductions to the distribution workforce. Endstrength dropped from 27,000 in FY 1992 to approximately 13,693 in FY 1997, a reduction of 13,307 personnel, or a 49.3 percent decrease. Reductions to date have been accomplished mainly through the use of the Voluntary Separation Incentive Pay and Voluntary Early Retirement Authority. However, involuntary reductions-in-force were required in FYs 1996/1997, and more may be required in FY 1998 and FY 1999 to maintain the appropriate balance of workforce to workload.

PERSONNEL PROFILE

	FY 1997	FY 1998	FY 1999
Civilian End Strength	13,693	12,212	11,122
Civilian Full Time Equivalents (FTEs)	15,253	13,594	12,365
Military End Strength	172	128	125

BUDGET HIGHLIGHTS:

WORKLOAD:

Lines Received and Shipped Workload:

Lines items either received or shipped is the basic work count. The workload declined 6.3 percent in FY 1997. Workload is budgeted to decline an additional 15.8 percent through FY 1999. Workload decreases are a result primarily of cost savings initiatives, such as Director Vendor Delivery and Prime Vendor, undertaken by DLA and Military Service Inventory Control Points (ICPs). These initiatives bypass the distribution depot system by providing materiel directly from the vendor to the field customer. These estimates reflect the latest Service forecasts.

Lines Received and Shipped (Millions)

FY 1997	FY 1998	FY 1999
27.4	25.2	22.9

Storage Workload:

In FY 1996, Discrete Pricing was implemented to allow, for the first time, the separate recovery of cost to store DoD materiel. This initiative charged inventory owners for the storage of materiel based on square footage occupied in warehouses. Notwithstanding that, we are still experiencing an increase in the storage rate because of declining demand and the challenge of reducing fixed costs in the short-term as the volume of inventory declines faster than the available space and fixed costs. Continued BRAC closures will obviously be of great benefit in attacking these fixed costs.

Average Square Footage Occupied (Millions)

	FY 1997	FY 1998	FY 1999*
Covered Storage Space	40.1	34.8	
Open Storage Space	17.4	14.3	
Covered Cubic Stor. Space			297.0
Open Cubic Stor. Space			89.0

* Changed from square feet to cubic feet in FY 99

REVENUE:

Revenue for the Distribution business area consists of payments from the Supply Management business for lines received and shipped, for storage space occupied, and reimbursable funding provided by inventory mangers or local activities to depots for special project work. ICPs in supply management include the receipt, issue, and storage costs in surcharges applied to sales of materiel that they manage.

The discrete pricing structure includes a matrix of discrete prices for lines received and shipped and a separate pricing structure for storage services and special reimbursable projects.

Lines Received and Shipped Revenue:

ICPs reimburse distribution for lines received and shipped charges based on a discrete pricing structure matrix.

Lines Received and Shipped:	FY 1997	FY 1998	FY 1999
Bin Receipts	$19.56	$25.53	$28.72
Medium Bulk Receipts	21.98	27.81	40.11
Heavy Bulk/Hazardous Receipts	42.89	39.31	53.85
Issues On-Base:			
Bin	7.25	11.36	16.07
Medium Bulk	12.07	20.29	32.64
Heavy Bulk/Hazardous	22.28	46.14	63.16
Issues Off-Base:			
Bin	13.26	14.91	16.96
Medium Bulk	29.89	31.31	43.16
Heavy Bulk/Hazardous	51.73	68.46	81.71
Transshipments	3.23	2.07	3.22

Storage Revenue:

Storage charges were initially included as part of the DLA FY 1996 Discrete Pricing initiative. For the first time, the separate recovery of cost to store DoD materiel was identified and charged to the inventory owners based on square footage occupied in warehouses. We have had 2 years to evaluate the impact of this change and, on balance, believe it is a beneficial change. We have seen overall occupied storage decline significantly as our customers experienced, and reacted to, the cost to hold inventory.

In FY 1999, we are switching from gross square feet occupied to cubic feet of warehouse space occupied. This change produces a revised charge of $.83 per cubic foot vice the $8.05 per square foot of covered storage and a $.15 per cubic foot, vice $.87 per square foot, of open storage. This change better reflects the real cost of storage, since all bin and rack storage, plus a large percentage of bulk space, have storage aids that take advantage of the full stacking height of our warehouses. This change takes into account benefits derived from modern high rise/low cost per cubic foot storage practices. It mirrors commercial practice. It will also permit the appropriate billing for commingled stock.

	Average Cost Per Square/Cubic Foot		
	FY 1997	FY 1998	FY 1999*
Covered Storage	$7.17	$7.89	
Open Storage	$0.75	$0.85	
Covered Cubic Stor. Space			$0.83
Open Cubic Stor. Space			$0.15

* Changed from square feet to cubic feet in FY 99

Operating Result:

Distribution suffered a negative Net Operating Result in FY 1997. Factors contributing to this loss are the execution of stabilized rates to a larger than projected decrease in lines received and shipped workload, and an under priced reimbursable program. Workload and prices have been adjusted in FY 1998 and FY 1999 to achieve a positive Net Operating Result in FY 1998 and a zero Accumulated Operating Result by the end of FY 1999.

Activity Group Operations Fund
Defense Logistics Agency
Distribution Depots
February 1998
Revenue and Expenses

	($ IN Millions)		
	FY 97	FY 98	FY 99
Revenue:			
Gross Sales	0.0	0.0	0.0
Operations	1,238.1	1,429.9	1,402.0
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Maj Const	22.2	49.0	56.8
Major Construction Dep	0.0	0.0	0.0
Other Income			
Total Income:	1,260.3	1,478.9	1,458.8
Expenses:			
Cost of Material Sold from Inventory	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel	11.0	11.8	9.0
Civilian Personnel	678.6	671.8	645.8
Travel & Transportation of Personnel	6.4	7.3	6.7
Materials & Supplies (for Internal Operations)	27.4	25.9	26.4
Equipment	11.8	13.7	13.7
Other Purchased Services from Revolving Funds	116.1	112.8	106.4
Transportation of Things	408.2	407.3	409.8
Depreciation-Capital	22.2	49.0	56.8
Printing and Reproduction	1.5	1.8	1.8
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Communication, Utilities, & Misc. Charges	14.5	15.3	16.6
Other Purchased Services	228.5	158.6	122.2
Total Expenses	1,526.2	1,475.3	1,415.2
Operating Result	(265.9)	3.6	43.6
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR/AOR	218.7	0.0	0.0
Net Operating Result	(47.2)	3.6	43.6
Prior Year AOR	0.0	(47.2)	(43.6)
Accumulated Operating Result	(47.2)	(43.6)	(0.0)

Activity Group Analysis
Defense Logistics Agency
Distribution Depots
February 1998
Source of Revenue
(Dollars in Millions)

	FY 97	FY 98	FY 99
1. New Orders:			
a. Orders from DoD Components	172.4	134.2	90.4
Other Services (Appropriated):	172.4	134.2	90.4
DLA	115.9	47.7	22.1
Army	27.9	50.9	34.2
Navy	0.0	0.0	0.0
Air Force	9.1	25.0	14.7
Marine Corps	0.0	0.0	0.0
Defense Environmental Restoration Act	19.5	0.0	0.0
National Imagery and Mapping Agency	0.0	10.6	19.4
b. Orders from Other Working Capital Fund Activity Groups	1,087.9	1,344.7	1,368.4
DLA	640.6	697.9	698.3
Army	138.0	253.0	280.6
Navy	122.5	145.4	157.7
Air Force	151.3	236.5	220.8
Marine Corps	10.3	11.9	11.0
Defense Commissary Agency	25.2	0.0	0.0
c. Total DoD	1,260.3	1,478.9	1,458.8
d. Other Orders:	0.0	0.0	0.0
Other Federal Agencies			
Trust Fund			
Non Federal Agencies			
2. Carry-In Orders			
3. Total Gross Orders	1,260.3	1,478.9	1,458.8
4. Change to Backlog			
5. Total Gross Sales	1,260.3	1,478.9	1,458.8

Changes in the Costs of Operations
Defense Logistics Agency
Distribution Depots
February 1998
(Dollars in Millions)

		EXPENSES	
FY 97 Estimated Actual		1,661.9	
FY 97 Actual		1,526.2	
Impact in FY 97 of Actual FY 97 Experience:			
Depreciation		(18.6)	
Personnel Costs		(30.8)	
Travel & Transportation of Personnel		(1.8)	
Supplies & Materials (For Internal Operations)		(8.4)	
Transportation		(6.7)	
Equipment		(4.5)	
Other Purchases from Revolving Funds		51.3	
Printing and Reproduction		(1.1)	
Rent,Communication,Utilities & Misc. Charges		(1.0)	
Other Purchased Services		(114.1)	
Pricing Adjustments:			
Annualization of FY 97 Pay Raise		4.9	
FY 98 Pay Raise		13.6	
General Purpose Inflation		12.2	
Revised Government Share Pay		2.4	
Program Changes:			
Depreciation		26.8	
Base Realignment and Closure		(46.4)	
Workload Decrease		(30.2)	
Real Property Maintenance		(4.5)	
Defense Commissary Agency		(20.8)	
Defense Environmental Restoration Act		(19.5)	
National Imagery and Mapping Agency		10.6	
FY 98 Current Estimate		1,475.3	
Pricing Adjustments:			
Annualization of FY 98 Pay Raise		4.4	
FY 99 Civilian Personnel Pay Raise		14.1	
FY 99 Military Personnel Pay Raise		0.2	
Fuel Price		0.1	
General Purpose Inflation		4.9	
Revised Government Share Pay		2.3	
Program Changes:			
Depreciation		(7.8)	
Base Realignment and Closure		(48.9)	
Workload Decrease		(34.7)	
Real Property Maintenance		4.5	
National Imagery and Mapping Agency		8.8	
Kelly Distribution Depot Privatization		(8.0)	
FY 99 Estimate		1,415.2	

Exhibit Fund-2

DEFENSE-WIDE WORKING CAPITAL FUND
FY 1999 AMENDED BUDGET ESTIMATES
FEBRUARY 1998
DEFENSE LOGISTICS AGENCY
DEFENSE REUTILIZATION AND MARKETING SERVICE

FUNCTIONAL DESCRIPTION

The primary mission of the Defense Reutilization and Marketing Service (DRMS) activity group is the reuse of excess and surplus property within the Department of Defense (DoD). DoD inventory manager requirements are submitted to DRMS via automated requisitions using standard requisition and issue procedures. Items received by the Defense Reutilization and Marketing Offices (DRMOs) and meeting Military Services' (MILSVCs') item manager criteria are automatically referred through front-end screening notices. Using programs managed by DRMS, the MILSVCs reutilized approximately $2.7 billion worth of personal property in FY 1997 resulting in savings to the DoD and the Government. The result is the reuse of existing DoD material and savings to the Government. If property is not reutilized, it can be transferred to other Federal and State agencies. Remaining property becomes surplus and is made available to authorized donees. The balance of property is offered for competitive sale to the public.

DRMS also has the mission of hazardous property disposition. In this capacity, they handle the vast majority of DoD property governed by the Resource Conservation Recovery Act (RCRA) of 1976, as amended. Some hazardous material has reutilization and/or sales value. It goes through the same procedure as all other DoD property, however prior to public sales it does receive additional scrutiny. Almost all hazardous waste is directly disposed of through contracts managed by DRMS and funded by the MILSVCs.

DRMS headquarters, responsible for operational control, is located in Battle Creek, Michigan. The operational core of this organization lies with individual DRMOs located on military installations throughout the world. DRMOs receive, classify, segregate, demilitarize, account for and report excess material for screening, lotting, merchandising, and sales.

CHANGES IN OPERATIONS

DRMS is undergoing a significant business evolution into a knowledge-based organization that moves property through information management rather than physically handling property. DRMS has a commitment to continue providing world-class service during this transformation. Resources will continue to be dedicated in support of the MILSVCs to providing the highest possible returns to the DoD and the Government.

DRMS continues to deploy the Recycling Control Point (RCP) program at wholesale sites, with plans to expand deployment to retail sites. This is a major milestone in the transition to moving information not property. To minimize property handling, the RCP automates the screening and sales processes via the DRMS Internet World Wide Web site, and offers reduced labor requirements for current manual receipt, warehousing, and data entry functions associated with physically handling the property at DRMOs.

In addition, DRMS will continue expansion of automation enhancements to support the Reutilization/-Transfer/Donation (R/T/D) process. This is an integral part of DRMS's vision of becoming an information broker. More effective automation should reduce operating costs and make the R/T/D process more efficient and customer-friendly. It will also ensure that all R/T/D customers, regardless of geographic location, get an equal opportunity to access excess property. Eventually, this may include shifting the cost of transportation for the reutilization program back to the MILSVCs.

DRMS application of automated technology will support internal DRMS operations by eliminating duplicative and repetitive data entry and providing accurate and current management data. Technology will support DRMS customers by providing on-line information to include pictures as well as expanded narrative descriptions of property, catalogs and asset interrogation capabilities. DRMS is working to integrate all systems requirements and ensure they are in consonance with the vision of moving information, not property. This is being accomplished by the DRMS Automated Information System (DAISY). While maintaining accountability and integrity of DRMS disposal assets, DAISY has shifted from a transactional to a process oriented system.

The above initiatives will allow DRMS to complete implementation of significant infrastructure reductions. These reductions are in line with the Quadrennial Defense Review (QDR) infrastructure and outsourcing initiatives. The QDR initiatives are an expansion of the existing DRMS plans to streamline operations and develop partnerships with industry. In FY 1999, DRMS will expand the Joint Venture and Optimum Marketing initiatives to new supply classes. These initiatives allow DoD to benefit from commercial expertise in selling while maintaining the utility functions of management oversight that are inherently part of the DRMS mission.

DRMS continues to be a center of excellence for environmental management and compliance. DRMS has reduced the cost of hazardous disposal contracts and ensured compliance with environmental statutes and polices.

BUDGET HIGHLIGHTS

DRMS budget estimates reflect a change in the unit cost goal structure for operating authority beginning in FY 1998. Unit cost will be based on an Activity Based Cost (ABC) Model. The revised structure moves from two unit cost goals, which combined multiple functions, to four unit cost goals: (1) R/T/D, which is based on the total cost associated with the R/T/D process divided by the acquisition value; (2) Sales, which is based on all costs associated with excess personal property divided by the net proceeds; (3) Ultimate Disposal, which is based on the non-contract costs associated with environmentally regulated disposal of hazardous waste divided by the number of pounds of hazardous waste disposed; and (4) Abandonment and Destruction, which is based on the cost of either storing in a land fill or destruction of those non-hazardous items that remain at the end of the process divided by the number of line items of property disposed. The unit cost realigns and streamlines DRMS costs according to processes. DRMS earns its obligation authority through unit cost goals. The FY 1999 goals are:

	FY 1999
Cost/R/T/D Acquisition Value	$ 0.0110
Cost/Dollar of Sale	$ 0.9775
Cost/Pound of Ultimate Disposal	$ 0.1911
Cost/Line of Abandonment and Destruction	$733.12

NET OPERATING RESULT (NOR)/ACCUMULATED OPERATING RESULT (AOR)

The NOR measures the short range, single fiscal year, impact of revenue and expenses incurred by the business. For example, a positive annual NOR demonstrates that revenues exceeded expenses for the business activity, a negative NOR--just the opposite.

The AOR reflects the long term, multi-year results of previous NORs. Its measurement describes the accumulated effects of NORs and demonstrates the fiscal strength over a longer time. The goal is to break even by the budget year. Table 1 reflects NOR/AOR impacts for FY 1997 through FY 1999.

Table 1
NOR/AOR

$ in Millions	FY 1997	FY 1998	FY 1999
Revenue	253.2	592.9	350.0
Expenses	348.9	375.1	350.0
Operating Result	(95.7)	217.8	0.0
Other Changes Affecting NOR	0.0	0.0	0.0
NOR	(95.7)	217.8	0.0
Prior year AOR	(84.0)	(217.8)	0.0
Funds Transfer to Treasury	(38.1)	0.0	0.0
AOR	(217.8)	0.0	0.0

MILITARY AND CIVILIAN PERSONNEL

Reductions in employment levels, without degradation of mission support, are achieved primarily by two factors: automation and management improvements. Automating our reutilization and marketing processes and management information systems reduces the need for manual intervention. Management improvements such as reorganizing, reengineering processes, and realigning workloads, are general means to further productivity. Productivity measures include the number of people employed or, more importantly, the full-time equivalents used. Table 2 identifies budget estimates for full-time equivalents and end strength.

Table 2
Military and Civilian Personnel

	FY 1997	FY 1998	FY 1999
End Strength			
Military	22	44	26
Civilian	3,424	3,022	2,684
Total	3,446	3,066	2,710
Full-time Equivalents			
Military	22	44	26
Civilian	3,518	3,236	2,864
Total	3,540	3,280	2,890

CAPITAL EXPENDITURES

With many deteriorating facilities and equipment and increasingly stringent environmental compliance requirements, DRMS must make capital improvements. Minor Construction projects are for storage facilities to properly handle hazardous materials, hazardous waste, and items requiring demilitarization. The software development funding is for improvements to DAISY, which is critical for DRMS to attain its new vision of moving information vice material and its goal of significant cost reductions.

DEFENSE-WIDE WORKING CAPITAL FUND
DEFENSE LOGISTICS AGENCY
DEFENSE REUTILIZATION AND MARKETING SERVICE
REVENUE AND EXPENSES
FEBRUARY 1998
($ IN MILLIONS)

	FY 97	FY 98	FY 99
Revenue:			
Gross Sales			
Operations	253.2	592.9	350.0
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Maj Const			
Major Construction Dep			
Other Income			
Refunds/Discounts (-)			
Total Income:	253.2	592.9	350.0
Expenses:			
Cost of Material Sold from Inventory			
Negotiated Purchases from Customers			
Salaries and Wages:			
Military Personnel	2.4	1.6	1.6
Civilian Personnel	153.6	155.0	137.2
Travel & Transportation of Personnel	7.0	6.8	6.5
Materials & Supplies (For Internal Ops)	3.3	4.0	3.8
Equipment	9.0	12.6	9.2
Other Purchases from Revolving Funds	11.0	26.9	23.5
Transportation of Things	4.8	3.3	3.8
Depreciation - Capital	9.7	9.7	10.0
Printing and Reproduction	2.5	2.2	2.2
Advisory and Assistance Services	0.1	0.1	0.1
Rent, Communication, Utilities & Misc. Charges	5.6	6.2	2.6
Other Purchased Services	139.9	146.7	149.6
Total Expenses	348.9	375.1	350.0
Operating Result	(95.7)	217.8	0.0
Other Changes Affecting NOR	0.0	0.0	0.0
Net Operating Result	(95.7)	217.8	0.0
Prior Year AOR	(84.0)	(217.8)	0.0
Funds Transfer to Treasury	(38.1)		
Accumulated Operating Result	(217.8)	0.0	0.0

BUSINESS AREA ANALYSIS
DEFENSE LOGISTICS AGENCY
DEFENSE REUTILIZATION AND MARKETING SERVICE
SOURCE OF REVENUE
FEBRUARY 1998
($ IN MILLIONS)

	FY 1997	FY 1998	FY 1999
1. New Orders:			
a. Orders from DoD Components	85.0	425.0	182.6
Army	23.0	101.2	44.6
Navy	35.5	112.1	56.6
Air Force	15.4	102.9	39.8
Marine Corps			
Other	11.1	108.8	41.6
b. Orders from Other DWCF Bus Areas			
c. Total DoD	85	425.0	182.6
d. Other Orders:	1.8	1.0	1.0
Other Federal Agencies	1.7	0.1	0.1
Trust Fund	0.1	0.9	0.9
Non Federal Agencies			
Total, New Orders	86.8	426.0	183.6
2. Carry-In Orders			
3. Total Gross Orders	86.8	426.0	183.6
4. Sales Proceeds	166.4	166.9	166.4
5. Total Revenue	253.2	592.9	350.0

Changes in the Costs of Operation
Defense Logistics Agency
Defense Reutilization and Marketing Service
February 1998
(Dollars in Millions)

		EXPENSES
FY 97 Actual		348.9
Pricing Adjustments:		6.8
Labor	4.2	
Non-Labor	2.6	
Program Changes:		
Civilian Personnel	-2.8	
Military	-0.8	
Per Diem	-0.9	
Other Travel	0.5	
Supplies	0.6	
Commercial Equipment Purchases	3.5	
Facility Maintenance	7.9	
DISA Processing	-0.2	
DSDC	3.0	
DISA Communications	3.5	
DFAS	0.5	
Distribution Depots	1.5	
Transportation	-1.1	
Foreign National Indirect Hires	2.1	
SLUC	0.4	
Printing	-0.4	
Equipment Maintenance	1.2	
Hazardous Contracts	1.6	
Other Purchased Services	-0.9	
Subtotal		19.4
FY 98 Current Estimate		375.1

Changes in the Costs of Operation Defense Logistics Agency Defense Reutilization and Marketing Service February 1998 (Dollars in Millions)		
		EXPENSES
FY 98 Estimate		375.1
Pricing Adjustments:		8.6
Labor	4.3	
Non-Labor	4.3	
Program Changes:		
Civilian Personnel	-22.2	
Military	-0.1	
Per Diem	-0.4	
Supplies	-0.3	
Commercial Equipment Purchases	-3.7	
Facility Maintenance	-0.1	
DISA Processing	-0.1	
DSDC	-3.0	
DISA Communications	0.9	
DFAS	-0.1	
Distribution Depots	-1.8	
Transportation	0.5	
Depreciation	0.3	
Foreign National Indirect Hires	-0.1	
Communication	-3.6	
Hazardous Contracts	-0.8	
Other Purchased Services	0.7	
Subtotal		-33.7
FY 99 Estimate		350.0

Defense Logistics Agency
Information Services Activity Group
Fiscal Year (FY) 1999 Budget Estimate
February, 1998

I. Narrative Description

The Information Services Activity Group was revised to include a Defense Logistics Agency (DLA) element at the beginning of FY 1996. It consists of a single Central Design Activity (CDA), the DLA System Design Center (DSDC). DSDC was formed from existing DLA Defense-Wide Working Capital Fund organizational elements with reimbursable authority transferred from the Supply Management Activity Group. DSDC has eight major locations throughout the Continental United States that are in close proximity to the customer base supported.

During FY 1997 DSDC has experienced improved operations as a result of their reorganization in an effort to optimize the use of all CDA resources, accomplish mandated downsizing glide slopes, establish contractor teaming as the preferred method of doing business, eliminate non-traditional CDA functions, and eliminate unnecessary and duplicative management layers. In the second year as a segregated activity group DLA has continued to learn about the advantages and disadvantages of "fee-for-service" for internal support organizations. DLA is analyzing DSDC in order to preposition its CDA with respect to the continued changes mandated through governmental initiatives, as well as the ever rapidly changing business environment in Information Technology.

II. Description of Operations Financed

As the only CDA in DoD to be designated as a DoD pilot study for Capability Maturity Model (CMM), DSDC continues its goal to achieve CMM level III which is designed to assure repeatable, high quality rapid software development, and is primarily responsible for allowing DSDC to achieve the productivity and program reductions in this Budget.

DSDC provides a broad range of CDA services. Requirements definition, systems design, modeling, development, testing, integration, implementation support, and documentation services will be provided for the various Corporate Information Management Systems Design Organizations, the Defense Finance and Accounting Service, the Defense Distribution Systems Center, and the Defense Contract Management Command, as well as for DLA base level support systems. Once systems are delivered (organically or via contractor) or for base level and legacy systems still in use, systems maintenance services will be provided. Technical support services will be available to support the mid-tier, end-user, local area network, and wide-area network interface environments, as well as for porting systems from non-DoD compliant technical platforms to DoD compliant platforms and software. Mid-tier/end-user ADP systems training and ADP procurement assistance services will also be provided.

DLA is committed to providing the full range of enterprise systems integration in support of critical DLA and Department of Defense (DoD) business functions. Translated into marketplace terms, this means cheaper, better, and faster development and deployment of Information Technology Systems that support the war fighter.

ACTIVITY GROUP PROFILE

		($ in millions)	
	FY 1997	FY 1998	FY 1999
Cost of Goods Sold	127.1	125.1	132.4
Net Operating Result	-1.3	-4.0	5.3
Annual Operating Result	-1.3	-5.3	0
Workload (Billable Hrs)	1,291K	1,315K	1,325K
Customer Rate (Dollars)	$55.37	$57.24	$64.61
Civilian End Strength	1,105	1,123	1,079
Military End Strength	9	9	9
Civilian Full-Time Equivalents	1,206	1,136	1,119
Capital Budget Program Authority	5.8	4.9	2.6

Revenue and Expenses
Defense Logistics Agency
Information Services Business Area
Februaury 1998
(Dollars In Millions)

	FY 1997	FY 1998	FY 1999
Revenue:			
Gross Sales	80.4	71.1	82.0
Operations			
Capital Surcharge			
Depreciation exc Maj Const	1.5	3.6	2.6
Major Construction Dep			
Other Income	45.2	50.4	47.8
Refunds/Discounts (-)			
Total Income:	127.1	125.1	132.4
Expenses:			
Salaries and Wages:			
Military Personnel	0.8	0.8	0.8
Civilian Personnel	81.6	74.0	76.1
Travel and Transportation of Personnel	2.7	3.3	3.8
Materials, Supplies (For internal Operations)	1.4	1.1	1.0
Other Purchases from Revolving Funds	9.8	6.2	6.5
Transportation of Things	0.1	0.1	0.1
Depreciation - Capital	1.0	3.6	2.6
Advisory and Assistance Services	4.8	2.9	2.5
Equipment Purchased	1.6	2.9	2.4
Other Purchased Services	24.6	34.2	31.3
Total Expenses	128.4	129.1	127.1
Operating Result	(1.3)	(4.0)	5.3
Less Capital Surchg Reservation			
Plus appropriations Affecting NOR/AOR			
Other Changes Affecting NOR/AOR			
Net Operating Result	(1.3)	(4.0)	5.3
Prior Year AOR	0.0	(1.3)	(5.3)
Accumulated Operating Result	(1.3)	(5.3)	(0.0)

Exhibit Fund -14 Revenue and Expenses

Source of Revenue
Defense Logistics Agency
Information Services Business Area
February 1998
(Dollars In Millions)

	FY 1997	FY 1998	FY 1999
1. New Orders			
a. Orders from DoD Components			
DLA/Procurment CIM DWCF	12.3	14.9	10.9
DLA DWCF Business Area	70.4	52.9	71.1
b. Orders from other Fund Business Areas			
DFAS DWCF	5.7	6.7	8.4
JLSC DWCF	0.3		
Other DoD Concerns	18.1	16.2	17.0
c. Total DoD	106.8	90.7	107.4
d. Other Orders	0.0	0.0	0.0
2. Carry-In Orders:	54.7	59.4	33.8
3. Total Gross Orders	161.5	150.1	141.2
4. Funded Carry-over	(34.4)	(25.0)	(8.8)
5. Total Gross Sales	127.1	125.1	132.4

Exhibit Fund-11, Source of Revenue

Changes in Cost of Operations
Defense Logistics Agency
Information Services Business Area
February 1998
(Dollars in Millions)

	Expenses
FY 1997 Actual	128.4
FY 98 Estimate in President's Budget:	117.2
Pricing Adjustments:	
Civilian Personnel	2.2
Non-labor	0.7
Program Changes:	9.0
Other purchased Services (contractors)	
FY 98 Current Estimate:	129.1
Pricing Adjustments:	
Annualization of Prior Year Pay Raises	1.0
FY 99 Pay raise	
Civilian Personnel	2.3
Military Personel	0.0
General Purchase Inflation	0.1
Productivity:	(1.1)
Program Changes:	
Other purchased Services (contractors)	(2.9)
Other	(1.4)
FY 1999 Estimate:	127.1

Exhibit Fund-2, Changes in Cost of Operations

DEFENSE-WIDE WORKING CAPITAL FUND
FY 1999 PRESIDENT'S BUDGET ESTIMATES
DEFENSE LOGISTICS AGENCY
DEFENSE AUTOMATED PRINTING SERVICE

FUNCTIONAL DESCRIPTION

In compliance with Department of Defense (DoD) Directive 5330.3 and the Federal Printing Program, the Defense Automated Printing Service (DAPS) is responsible for the DoD printing and document automation programs. Among its competitively priced and time sensitive products and services are the conversion, electronic storage and the output and distribution of digital and hardcopy information. The Joint Committee on Printing (JCP), Congress of the United States, exercises oversight of all federal printing, including DAPS.

The DAPS manages a worldwide printing, duplicating, and document automation production and procurement network, comprised of a Corporate Support Team (located at Ft. Belvoir, Virginia), seventy-eight (78) major field locations and 163 smaller document automation facilities. Approximately 1,950 civilian personnel support the DAPS mission.

SIGNIFICANT CHANGES

DAPS will achieve a 15% staff reduction (304 end strengths) from FY 1997 to FY 1999 by improving its production and business processes. This reduction is offset by functional transfers into DAPS of 154 end strengths.

In May 1997, the DAPS implemented the Defense-Wide Working Capital Accounting System (DWAS). DWAS is the first commercial off-the-shelf DoD migratory accounting system and the first to fully implement the U.S. Government Standard General Ledger.

In August 1996, DAPS began accepting the International Merchant Purchase Authorization Card (IMPAC) from it DoD customers. The IMPAC card reduces the users administrative costs. During FY 1997, DAPS recorded credit card sales of approximately $3.5 million. FY 1998 credit card sales are projected at over $50 million.

During FY 1998, DAPS will use two methods of resourcing budget requirements; three unit cost goals and a direct reimbursement. Beginning in FY 1999, all in-house production will be measured as a single output and resourced by one unit cost goal. The commercial program (contract printing and the copier program) will remain a direct reimbursable output.

BUDGET HIGHLIGHTS

The consolidation of additional Military Services and other Defense Agencies printing facilities and the transfer of the General Service Administration's (GSA) printing function are primary contributors to the increase in total costs and revenues in both FY 1998 (about $35 million) and FY 1999 (about $25 million).

The incremental elimination of a negative ($25 million) FY 1996 Accumulated Operating Result (AOR) concludes in FY 1999. DAPS eliminates this loss by achieving positive Net Operating

Results (NORs) of $11.9 million in FY 1997; $2.3 million in FY 1998; and $10.8 million in FY 1999.

DAPS' primary financial challenge is to reduce its short-term fixed costs in response to decreased customer demand. To meet this challenge this submission incorporates productivity improvements driven by capital investments, consolidation actions and management initiatives.

ACTIVITY GROUP PROFILE

(Dollars and Workload in Millions)

	FY 1997	FY 1998	FY 1999
Cost of Goods Sold	388.0	433.3	449.9
Net Operating Result	11.9	2.3	10.8
Accumulated Operating Result	-13.1	-10.8	0.0
Workload			
Offset Production	195.0	193.8	
Electronic Impression	4,576.1	5,533.1	
Reproduction	37.5	38.6	
In-House Production			5,929.9
Customer Rates			
Offset Production	0.03780	0.03690	
Electronic Impression	0.02990	0.02850	
Reproduction	0.31940	0.27490	
In-House Production			0.03903
Customer Rate/Price Changes	9.4%	-4.0%	5.7%
Unit Costs			
Offset Production	0.04400	0.04024	
Electronic Impression	0.02991	0.02993	
Reproduction	0.35569	0.33458	
In-House Production			0.03747
Civilian End Strength	1,948	1,990	1,798
Military End Strength	0	0	0
Civilian Full-Time Equivalents	1,954	2,018	1,897
Military Workyears	0	0	0
Capital Budget Program Authority	6.7	9.1	9.3

DEFENSE-WIDE WORKING CAPITAL FUND
COMPONENT: DEFENSE LOGISTICS AGENCY
ACTIVITY GROUP: DEFENSE AUTOMATED PRINTING SERVICE
REVENUE AND EXPENSES

(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
Revenue:			
Gross Sales			
Operations	393.6	428.5	452.0
Capital Surcharge	0.0	0.0	0.0
Depreciation except Maj Const	6.3	7.1	8.7
Major Construction Depreciation	0.0	0.0	0.0
Other Income	0.0	0.0	0.0
Total Income	399.9	435.6	460.7
Expenses:			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	0.0	0.0	0.0
Civilian Personnel	89.1	89.7	89.8
Travel & Transportation of Personnel	1.5	1.5	1.4
Materials & Supplies (For Internal Operations)	33.2	38.7	40.8
Equipment	6.1	6.5	6.7
Other Purchases from Revolving Funds	4.2	4.1	4.4
Transportation of Things	0.8	0.9	0.9
Depreciation - Capital	6.3	7.1	8.7
Printing and Reproduction	180.5	207.6	215.8
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Communication, Utilities, & Misc. Charges	22.2	24.3	25.5
Other Purchased Services	44.1	53.0	55.8
Total Expenses	388.0	433.3	449.9
Operating Result	11.9	2.3	10.8
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR	0.0	0.0	0.0
Net Operating Result	11.9	2.3	10.8
Other Changes Affecting AOR	(25.0)	(13.1)	(10.8)
Accumulated Operating Result	(13.1)	(10.8)	(0.0)

DEFENSE-WIDE WORKING CAPITAL FUND
COMPONENT: DEFENSE LOGISTICS AGENCY
ACTIVITY GROUP: DEFENSE AUTOMATED PRINTING SERVICE
SOURCE OF REVENUE

(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. New Orders	398.3	439.0	463.1
a. Orders from DoD Components	316.8	324.5	335.5
Department of the Navy	96.8	97.0	100.3
Operations and Maintenance, Navy	60.3	60.4	62.5
Operations and Maintenance, Marine Corps	14.7	14.7	15.2
O&M, Navy Reserve	3.2	3.2	3.3
O&M, Marine Corps Reserve	0.4	0.4	0.4
Aircraft Procurement, Navy	2.8	2.8	2.9
Shipbuilding & Conversion, Navy	1.1	1.2	1.2
Research, Development, Test & Eval, Navy	0.4	0.4	0.4
Military Construction, Navy	0.4	0.4	0.4
Other Navy Appropriations	13.5	13.5	14.0
Department of the Army	84.1	86.2	89.0
Army Operations & Maintenance Accounts	76.9	78.9	81.4
Army Res, Dev, Test & Eval Accounts	2.8	2.8	3.0
Army Other	4.4	4.5	4.6
Department of the Air Force	59.9	65.7	68.0
Air Force Operations & Maintenance Accounts	43.3	47.5	49.1
Air Force Res, Dev, Test & Eval Accounts	5.5	6.1	6.3
Air Force Other	11.1	12.1	12.6
DoD Appropriated Accounts	76.0	75.6	78.2
Operations & Maintenance Accounts	14.0	13.9	14.4
Res, Dev, Test & Eval Accounts	0.4	0.4	0.4
DoD Other	61.6	61.3	63.4
b. Orders from DWCF Business Areas:	53.2	59.5	62.7
c. Total DoD	370.0	384.0	398.2
d. Other Orders:	28.3	55.0	64.9
Other Federal Agencies	23.9	50.6	60.4
Non Federal Agencies	4.4	4.4	4.5
2. Carry-In Orders	40.1	38.5	41.9
3. Total Gross Orders	438.4	477.5	505.0
4. Carry-Out Orders	38.5	41.9	44.3
Change in Backlog (carry-out less carry-in)	-1.6	3.4	2.4
5. Total Gross Sales	399.9	435.6	460.7

Changes in the Costs of Operation
Defense Logistics Agency
Defense Automated Printing Service

(Dollars in Millions)

	Expenses
FY 1997 Actual:	388.0
Pricing Adjustments:	
a. Annualization of Prior Year Pay Raises	0.8
b. FY 1998 Pay Raise	
Civilian Personnel	1.7
Military Personnel	0.0
c. General Purchase Inflation	3.7
Productivity Initiatives and other Efficiencies	(2.0)
Program Changes:	
a. Workload	7.2
b. Functional Transfers	34.7
c. Multi-Color Printing	(1.6)
d. Depreciation	0.8
FY 1998 Current Estimate:	433.3
Pricing Adjustments:	
a. Annualization of Prior Year Pay Raises	0.7
b. FY 1999 Pay Raise	
Civilian Personnel	1.9
Military Personnel	0.0
c. General Purchase Inflation	5.0
Productivity Initiatives and other Efficiencies	(3.6)
Program Changes:	
a. Workload	0.4
b. Functional Transfers	10.2
c. Depreciation	1.6
d. Other	0.4
FY 1999 Budget Estimate:	449.9

DEFENSE FINANCE AND ACCOUNTING SERVICE

Functional Description:

DFAS operations are part of the Defense Working Capital Fund (DWCF). These operations are composed of two budget activity groups: Financial Operations and Information Services. The two budget activity groups combine to provide DFAS with the capability to provide effective and efficient finance and accounting support in times of peace and conflict.

DFAS serves as the Executive Agent responsible for finance and accounting activities within DoD. It is the single organization responsible for finance and accounting operations, procedures, and systems. DFAS provides finance and accounting management and operational support for appropriated, non-appropriated, revolving and trust funds. DFAS operations touch a large population of DoD customers through the payment of civilian and military personnel, military retirees and annuitants, and by the collection and disbursement of a wide variety of DoD funds for contracts, debt management, security assistance, transportation, and travel. Each month DFAS processes 8.8 million pay checks, 2 million invoices, 550 thousand savings bonds, 675 thousand travel vouchers and 340 thousand transportation bills. Average monthly disbursements made by DFAS total $22 billion. DFAS also does the accounting for 165 active appropriations and 257 Treasury accounts. These operations are currently labor-intensive and rely heavily upon information management systems.

DFAS was established in January 1991, by the Secretary of Defense to reduce the costs of DoD finance and accounting operations and to reform financial management throughout DoD. DFAS was created through the initial consolidation of the Military Departments' and Defense Logistics Agency's finance and accounting centers into one central agency. During the period FY 1991 - FY 1993, DFAS grew from 12,000 civilian and military personnel to about 30,000 as the component's installation-level activities were consolidated into DFAS with the goal of reducing duplicate operations and system proliferation. In FY 1994, the Financial Systems Organization, which provides software and maintenance

support to over 100 finance and accounting systems, was transferred from the Defense Information Services Agency to DFAS. This increased the total number of personnel transferred to DFAS to about 31,000. Since this peak level, DFAS personnel levels have consistently and steadily declined as cost-saving and productivity measures have been successfully implemented.

Agency Focus

DFAS' overall goal is to reengineer finance and accounting support throughout the Department to improve customer service while reducing the cost to the Department. This budget has been developed to meet that challenge while achieving specific programmatic initiatives. Resources have been earmarked to meet specific financial management goals. One critical goal is to modify finance and accounting software to comply with Year 2000 requirements. Compliance will ensure the Department's financial management transition into the next century will be smooth and operations will be uninterrupted. It is equally as important that these systems comply with the standards established in the Chief Financial Officers Act and the Federal Managers' Financial Integrity Act. System compliance with these statutory requirements will enhance the integrity of the data and its usefulness in decision making. Reducing problem disbursements, like unmatched disbursements and negative unliquidated obligations, will minimize the potential for contract overpayments. New prevalidation procedures in place will require the matching of disbursements to obligations before payment.

DFAS also has several other high priority goals. One, accurately measure and improve the current level of operations. This is key to customer satisfaction with DFAS support. Two, continue the development and implementation of the migratory system strategy. This is essential to expedite system standardization and consolidation. Three, expand the use of new technologies and improved business practices. Examples of this are the use of the DoD Purchase Card for purchases of $2,500 and under and the use of electronic commerce. Four, expand the use of paperless contracting in order to reduce paper work and improve efficiency.

Customer service is integral to DFAS' operations. Programs have been established in all of DFAS' major finance and accounting missions such as accounting, civilian and military pay, contract and vendor pay, and travel to assess customer service, compare it to customer expectations and better align the level of support with customer expectations.

An essential part of customer expectations is lower costs for finance and accounting support. DFAS' commitment to cost reduction has been amply demonstrated in the past. DFAS has generated savings of $404 million through the end of FY 1997. For example, finance systems have decreased from 127 in FY 1991 to 34 in FY 1997 generating $77 million in savings. With implementation of the Defense Civilian Pay System the Department has realized savings, as of December, 1997, of over 2,400 positions as a result of eliminating 26 payroll systems, reducing the number of pay locations from 349 to 3 and increasing the number of accounts assigned per technician from 350 to over 1,800 accounts. Implementation of the Defense Debt Management System has resulted in the elimination of four systems and a savings of 193 workyears. Finally, by the end of FY 1997, 307 installation-level Defense Accounting Offices (DAO) were closed and 18 centralized Operating Locations activated. This represents a 92 percent reduction in the number of DAOs transferred to DFAS and saves $120 million annually.

The Quadrennial Defense Review (QDR) and Defense Reform Initiative (DRI) have placed increased emphasis on reducing infrastructure costs. DFAS has responded to these challenges by building even more aggressive savings targets into its future financial programs. DFAS projects additional savings of over $500 million by FY 2003 in the financial operations budget activity from the FY 1997 levels. This means annual savings will increase from $576 million in FY 1999 to $940 million in FY 2003. These savings will be generated by re-engineered business practices, further site consolidation, use of electronic document management technology, and increased use of outsourcing initiatives.

The cumulative effect of these savings initiatives is dramatic. Civilian and military workyears are projected to decline 27 percent, decreasing from 22,300 in FY 1997 to

16,200 in FY 2003. This is a cumulative drop of 48 percent from DFAS' peak personnel levels of the 31,000. This workyear drop combined with other productivity initiatives will drop the total bill to DFAS' customers for finance and accounting services 28 percent, decreasing it from $1.8 billion in FY 1997 to an estimated $1.3 billion in FY 2003.

The FY 1999 President's Budget calls for DFAS to achieve by FY 1999, 40 percent of the total reduction in the customer bill programmed for FY 2003. The bill will drop from $1.8 billion in FY 1997 to $1.6 billion in FY 1999. It also calls for total civilian and military workyears to decline from 22,300 in FY 1997 to about 20,000 in FY 1999, a decrease of 2,300 workyears or 10 percent.

DFAS has identified four major avenues to achieve these goals and reduce costs in FY 1998 and FY 1999: standardizing and consolidating systems, consolidating operations, re-engineering business practices and outsourcing functions.

DFAS has concentrated much of its capital investment on the development of new standard systems whose implementation will improve service, meet statutory reporting requirements such as the Chief Financial Officers Act and the Federal Managers' Financial Integrity Act and allow the reduction in the number of systems that DFAS inherited. Significant progress has already been made in reducing the number of finance systems through standardization and consolidation. By the end of FY 1997, the number of systems in use was reduced by 73 percent, from 127 to 34. By FY 1999, the number of systems will be reduced to 22 with an eventual goal of 9 systems by FY 2003, a total reduction of over 90 percent.

DFAS has also made significant progress in reducing accounting systems. By the end of FY 1997, accounting systems had been reduced by 38 percent, from 197 in FY 1991 to 122. To accelerate reductions in the number of accounting systems, DFAS has shaped a strategy which recognizes the complexity and variety of systems supporting accounting within DFAS. This strategy focuses on the integration of finance and accounting systems and their transition to a target architecture. These efforts are projected to reduce the number of accounting systems to

approximately 87 by FY 1999 with an eventual goal of 23 systems by FY 2003, a total reduction of over 90 percent.

Problem disbursements have received increased attention and significant progress has been made in reducing them. Between June, 1996, and August, 1997, the total value of unmatched disbursements and negative unliquidated obligations has declined 19 percent, dropping from $10.1 billion to $8.2 billion. The dollar value of problem disbursements will be reduced even further by FY 1999.

DFAS has become a streamlined organization. The final 25 DAOs out of the 332 that DFAS capitalized will close by the end of FY 1998. This is two years ahead of schedule. The completed consolidation will result in simplified operations, standardized processes, improved customer service and increased automation while generating significant annual savings.

DFAS has made reengineering financial business practices a top priority. A major example of this process is the DoD Purchase Card program. Under this program, cardholders make purchases valued at $2,500 or less from commercial vendors. Using these revised procedures results in faster and simpler procurement by the customer, faster processing of reduced financial documentation, faster payment to vendor, and fewer interest payments under the Prompt Payment Act. While DFAS has postured itself to expedite the use of these new procedures and reduce costs, savings are dependent upon full implementation of the revised purchase card procedures by DFAS' customers.

DFAS is also implementing new technologies, such as Electronic Data Management, to reduce paperwork, automate business processes, reduce cycle time and provide desktop information. Electronic Data Management uses three technologies-imaging of documents, electronic foldering and workflow. This technology is already in use for some contracts and Government Bills of Lading and will be expanded to include payment vouchers and contract deficiency reports.

Another promising technology is Electronic Commerce. Electronic Commerce involves both electronic data interchange and electronic fund transfers. DFAS is already

using electronic fund transfers for payroll payments and will continue to expand its use for contract payments. Other Initiatives in this area include the development of electronic processes to validate funds and record commitments; create and record contracts; accept and process receiving reports; and automate prevalidation of payments. The program seeks to increase the use of both electronic fund transfers for contract payments and electronic data interchange invoicing and receipt of contract data.

Both the QDR and the DRI have emphasized the important role of the private sector in reducing costs. Following this guidance, DFAS has taken a leading role in identifying functions for potential outsourcing and in performing Commercial Activities cost comparisons with private industry. To date, DFAS has completed three competitions and won all three: debt management; facilities, logistics and administration; and Defense Commissary Agency vendor pay. This is a clear indicator that DFAS is competitive with the private sector. While all three functions remained in-house, significant workyear and dollar savings were taken. This demonstrates that DFAS' customers benefit from reduced costs even when the functions remain in-house.

Five studies are underway in FY 1998 and FY 1999. The Defense Reform Initiative directed that Commercial Activities cost comparisons be done on the civilian pay and retired and annuitant pay functions. At a minimum, three additional studies will be done by FY 1999 in the following functional areas: Defense Commissary Agency accounting, depot maintenance accounting, and transportation accounting. Whether the cost comparisons are conducted using OMB Circular A-76 (which directs federal agencies to compare the in-house cost of performing a functions with private sector costs), at the direction of Congress or through internal management initiatives, DFAS recognizes these studies as an integral part of its cost reduction efforts.

In summary, DFAS' priorities are in line with our Government Performance and Review Act objective - to reengineer business practices to reduce the cost of finance and accounting support to DoD. The initiatives are in place and resourced to satisfy the challenges of improving finance and accounting support to our customers while reducing costs as required by the QDR and DRI.

Major activities and locations are:

Activity	Location
Financial Operations Business Area:	
DFAS Headquarters	Washington, DC
DFAS - Cleveland Center	Cleveland, Ohio
DFAS - Columbus Center	Columbus, Ohio
DFAS - Denver Center	Denver, Colorado
DFAS - Indianapolis Center	Indianapolis, Indiana
DFAS - Kansas City Center	Kansas City, Missouri
Personnel Services Organization	Indianapolis, Indiana
Information Services Business Area:	
Financial Systems Organization	Indianapolis, Indiana

Budget Highlights:

DFAS was on target with its program in FY 1997.

Actual operating costs were below target by $21 million. FY 1997 costs for both DFAS budget activity groups were $1,846 million compared to a program of $1,867 million. The difference resulted from additional cost reductions on top of the $120 million in savings already built into the target. Customer revenue was 99.3 percent of the target, $1,974 million vice $1,986 million. Civilian workyear utilization was 20,760. This is 1,323 workyears or 6 percent below program. The underexecution of workyears results from DFAS' productivity initiatives and from a continuing conscious strategy to posture DFAS for future programmed workyear reductions by phasing out workyears before the year of execution. The consolidation of Defense Accounting Offices (DAO) into Operating Locations (OPLOC) made significant strides in FY 1997. At the end of FY 1997, 77 additional DAOs were consolidated into OPLOCs. As a result, 307 out of 332 DAOs have been successfully closed and the workload transferred while 1 new OPLOC (Lexington) was activated for a total of 18. The capital program obligated over 99 percent of its program, ensuring maximum use of available funds. This capital investment ensured that continued progress was made toward developing the software solutions to meet statutory compliance requirements and increase system standardization.

DFAS is committed to improving customer service and reducing the customer bill. The recent Quadrennial Defense Review (QDR) and Defense Reform Initiative (DRI) have only intensified this commitment. This is driven home by the chart below, which shows DFAS' total workload-driven bill to its customers for finance and accounting services over the period FY 1997 through FY 1999. This bill excludes non-workload driven costs where the customer pays the exact cost of the support provided. The majority of these costs are for training and facility renovation. The total workload-driven bill drops from $1,726 to $1,513 or 12 percent during the period FY 1997 to FY 1999.

	Dollars in Millions		
	FY 1997	FY 1998	FY 1999
Total Customer Bill	$1,770	$1,629	$1,621
Non-Workload Driven	44	106	108
Workload Driven Bill	$1,726	$1,523	$1,513
Percentage Decrease		11%	1%

The extent of the major decline in workload-driven costs for finance and accounting over the period FY 1997 - 1999 is masked by costs unique to revolving funds. It initially appears that DFAS costs over this timeframe do not change substantially. While the FY 1997 to FY 1999 costs are comprised of offsetting program increases and decreases which are addressed in detail in other paragraphs, costs increases are driven by two primary factors: non-workload-driven costs and depreciation. As the chart below shows, once these costs have been taken out, the cost reductions programmed by DFAS become more apparent. Overall, the basic costs to operate DFAS decline 12 percent after inflation by FY 1999. Additionally, the FY 1999 workload-driven costs drop by $28 million (or 2 percent) below the FY 1999 program contained in the FY 1998/1999 Biennial President's Budget.

	Dollars in Millions		
	FY 1997	FY 1998	FY 1999
Total Operating Costs	$1,645	$1,684	$1,625
Non-Workload Driven	44	106	108
Depreciation	138	197	216
Workload Driven Costs	$1,463	$1,381	$1,301
Percentage Decrease With Inflation		6%	6%

Depreciation is the means by which revolving fund activities generate cash to pay for capital investments and are not an actual cost required to produce workload. Nonetheless, increased depreciation while necessary to generate cash, creates added pressure on DFAS workload-driven costs as DFAS' available resources for operations decline. DFAS' non-workload driven costs are those costs not directly related to one of DFAS workload outputs. These costs fall into two main categories: training and facility renovation.

The combination of the implementation of new systems and a declining workforce has created the need to train both DFAS and non-DFAS personnel who will use the new systems and to upgrade the executive and technical skills of DFAS' workforce. Starting in FY 1997, DFAS developed training curriculums to meet these needs. Both curriculum development and actual training delivery continue and accelerate into FY 1998 and FY 1999 to meet this new training mission.

Secondly, the FY 1997 DoD Authorization Act authorized DFAS to provide funds to the General Services Administration (GSA) which would do the work and reimburse the funds back to DFAS in the form of reduced rental charges during and after the renovation. In FY 1997, GSA began the design of a renovation project for the DFAS facility in Indianapolis, Indiana. This project will be carried out during the period FY 1998 - FY 2000. This work will bring a 44-year-old building, which is basically unchanged from its original construction, back to a safe and reliable work environment for over 4000 employees. Both the training and renovation requirements will be funded centrally with Operation and Maintenance, Defense-wide funds that will be provided to DFAS' DWCF on a cost reimbursable basis and are not included in the billing rates to minimize the impact on DFAS' customers.

Although information services is a competitive area where trained programmers can make more money in the private sector, costs for the information services budget activity remain generally stable during the FY 1997 - FY 1999 period with one exception: the Navy central design activity at Patuxent River, Maryland, is transferred to DFAS in FY 1998 to work on the Navy Integrated Financial Management System.

Bringing labor costs down by reducing civilian workyears is an essential part of DFAS' program to lower the customer's bill. DFAS is reducing workyears through productivity initiatives such as site consolidation, use of the DoD Purchase card and system standardization and outsourcing. Most of the dollar savings from these efforts contribute to savings to the customer. A small amount will be reprogrammed to fund management initiatives.

Capital investment is essential if DFAS is to achieve its program and cost goals. DFAS' priority goals include bringing DFAS' finance and accounting systems into compliance with Year 2000 requirements and ensuring that statutory requirements like the Chief Financial Officers Act and Financial Managers' Financial Integrity Act are met. Capital investment is also essential to DFAS meeting its goal of reducing costs through increased operational efficiency.

The total capital program remains relatively constant in FY 1997 and FY 1998 at approximately $260 million per fiscal year with a decrease to $218 million in FY 1999. This program has been sized carefully to accomplish clearly defined priorities and to generate savings. System consolidation and standardization combined with subsequent deployment will ensure DFAS' goal of improved service at lower cost is achieved. Investment in technological improvement like electric commerce and data management will facilitate the streamlining of DFAS' business practices and increase efficiency. Sustaining systems also requires additional capital dollars to ensure operational continuity while new systems are developed.

The combination of our savings initiatives such as the DoD Purchase Card, system standardization and site consolidation is projected to save an additional $172 million in FY 1998 and FY 1999. These significant savings, when added to the $404 million already generated by FY 1997, bring DFAS' total projected savings since its inception to almost $600 million or 35 percent of the FY 1999 cost program.

DFAS' future vision is not limited to the management initiatives contained in this budget. DFAS is continually

searching for new ways to reduce costs. The budget being proposed aggressively cuts costs (after inflation and mission changes) and reduces the workforce to the minimum level needed to support the customer.

Total DFAS Financial and Personnel Summary:

Revenue:	Dollars in Millions FY 1997	FY 1998	FY 1999
Financial Operations	$1,770	$1,629	$1,621
Information Services	204*	224*	222*
Total	$1,974	$1,853	$1,843

*The Information Services revenue is collected predominantly from the capital and operating budgets of DFAS' Financial Operations business area.

Costs:	Dollars in Millions FY 1997	FY 1998	FY 1999
Financial Operations	$1,645	$1,684	$1,625
Information Services	201	221	221
Total	$1,846	$1,905	$1,846

Net Ops Results:	Dollars in Millions FY 1997	FY 1998	FY 1999
Financial Operations	$125	(55)	(5)
Information Services	3	3	1
Total	$128	($52)	($4)

Personnel: End Strength:	FY 1997	FY 1998	FY 1999
Civilian:			
Financial Operations	19,016	18,804	16,880
Information Services	1,323	1,522	1,500
Total	20,339	20,326	18,380
Military:			
Financial Operations	1,467	1,601	1,454
Information Services	96	91	91
Total	1,563	1,692	1,545

Workyears:

	FY 1997	FY 1998	FY 1999
Civilian:			
Financial Operations	19,429	19,048	16,931
Information Services	1,331	1,466	1,507
Total	20,760	20,514	18,438
Military:			
Financial Operations	1,467	1,601	1,454
Information Services	96	91	91
Total	1,563	1,692	1,545

Capital Program:

	Dollars in Millions		
	FY 1997	FY 1998	FY 1999
Financial Operations	$246	$255	$213
Information Services	7	5	5
Total	$253	$260	$218

Additional information on the Financial Operations and Information Services business areas is provided below:

Financial Operations Budget Highlights:

DFAS Savings

Since its formation in 1991, DFAS has accomplished much to become more efficient and reduce the costs of providing finance and accounting services for the Department of Defense. By the end of FY 1997, annual savings from consolidation, system standardization, process improvements, deploying Electronic Commerce/Electronic Data Interchange, and imaging technology and outsourcing amounted to $404 million annually. Further significant savings are projected as annual savings increase to $576 million by FY 1999. The revised FY 1999 annual savings of $576 million represents an increase of $82 million above the FY 1999 goal published in the FY 1998 President's Budget. These increased savings stem from initiatives proposed during the Quadrennial Defense Review (QDR), where DFAS played a major role by identifying additional opportunities for savings in infrastructure costs. The resulting savings are reflected

in the prices DFAS charges for its accounting services and realized in the operating budgets of our military customers.

The table below summarizes the status of DFAS savings.

Annual Savings in Operating Costs (Dollars in Millions)

	FY 1997	FY 1998	FY 1999
Finance Systems	$77	$87	$98
Accounting Systems	41	42	43
Current Consolidation	92	106	119
DoD Purchase Card	-	0	66
Process Improvements	176	202	204
Outsourcing	3	8	21
EC/EDI & Imaging Technology	15	18	25
Total Savings	$404	$463	$576

System Standardization - There are two types of financial management systems: finance systems and accounting systems. Finance systems process payments to DoD personnel, retirees, annuitants, and private contractors. Accounting systems record, accumulate, report, and provide data for analyzing financial information. By transitioning from dedicated, component-unique services to DOD-wide services, DFAS has undertaken initiatives to aggressively implement standard "migratory" systems for civilian and military pay, retiree/annuitant pay, vendor payments, travel payments, transportation payments, debt management, and center-level disbursing. Annual savings from the standardization initiatives are estimated at $118 million annually in FY 1997, projected to increase to $141 million annually by FY 1999. An important component in the system standardization effort is that all systems will be fully compliant with the Chief Financial Officers Act and Federal Managers' Financial Integrity Act.

Defense Accounting Office/Operating Location (OPLOC) Consolidation - By the end of FY 1997, DFAS had largely completed its consolidation effort by closing 307 Defense Accounting Offices and transferring their missions to one of our new operating locations. More than 2,500 positions have been saved through the consolidation effort. Savings from more centralized locations, are estimated at almost $120

million annually by FY 1999. In the same period, the number of employees performing these finance and accounting functions has declined significantly by the end of FY 1997. A QDR initiative will reexamine the current DFAS structure and organization, seeking opportunities to become even more efficient by consolidating existing OPLOCs and/or Centers into fewer sites. Additional consolidations anticipated from the QDR initiative will increase savings an additional $67 annually when fully implemented.

DoD Purchase Card - An important initiative involves the reengineering and streamlining of vendor payments through use of the DoD Purchase Card. Changes resulting in simpler, faster procurement, faster payment to vendors, less processing of financial documentation, and faster processing of commercial invoices will significantly reduce government costs - both in dollars and manpower. DoD cardholders purchase goods and services totaling approximately $2.2 billion in FY 1997. DFAS will realize annual savings of $66 million by FY 1999 due to DoD Purchase Card implementation. Annual savings are projected to increase to $120 million by 2003.

Process Improvements and Outsourcing - DFAS is pursuing an aggressive Business Process Improvement program to refine, streamline and improve all of our business processes.

Streamlining and reengineering have resulted in the consolidation of garnishment operations, debt and claims management, civilian payroll, nonappropriated fund payroll and the identification of many more candidates for reorganization and improvement.

Combined with the DFAS outsourcing initiative, annual savings of $204 million are projected by FY 1999. Additional initiatives in the QDR will increase annual savings from $204 million in FY 1999 to $287 million by FY 2003. Outsourcing is another source of savings receiving major emphasis from the QDR. Annual savings from outsourcing (implementation of A-76 studies) will increase from $21 million annually in FY 1999 to $65 million by 2003.

Use of Advanced Technology - DFAS is committed to employing the most cost effective solution to business

problems, including the use of modern technology in the form of Electronic Commerce/Electronic Data Interchange and Electronic Document Management where appropriate. The use of such technologies will reduce costs for document storage, labor, postage and supplies. Electronic Document Management, for example, will reduce costs by reducing the volume of paper, improving the management of work flows through automated gathering and routing systems and speed processing by inserting networking functions to control electronic folding, distribution, cataloguing and document maintenance. The implementation of these technologies in systems standardization efforts and in support of basic business processes at the Centers and Operating Locations will contribute savings amounting to an estimated $25 million annually by FY 1999.

Personnel:

	FY 1997	FY 1998	FY 1999
Civilian End Strength	19,016	18,804	16,880
Civilian Workyears	19,429	19,048	16,931
Military End Strength	1,467	1,601	1,454
Military Workyears	1,467	1,601	1,454

Both civilian and military actual personnel levels in FY 1997 were significantly below the FY 1997 program contained in the FY 1998 President's Budget. Civilian workyears executed 7 percent below the FY 1998/1999 President's Budget while military workyears were 10 percent below the FY 1998/1999 President's Budget program. Military personnel declined due to the components not filling authorized spaces.

The proposed FY 1998 civilian end strength and workyears are significantly below levels in the FY 1998/1999 President's Budget. The FY 1998 workyears are 5 percent lower than last year's President's Budget. DFAS' ability to accomplish its missions at this level results from the aggressive strategy utilized in the past. While the reduction in workyears has made a major contribution to savings, it has also allowed DFAS to reprogram labor dollars to other high priority areas such as accounting systems standardization.

Both civilian end strength and workyears decline from FY 1998 to FY 1999 due to QDR initiatives such as increased use of the DoD Purchase Card and electronic data management as well as productivity savings associated with on-going efforts in process improvements, standardizing systems and consolidating work sites. Personnel also decrease due to functional transfers, primarily to the Army for cost accounting and Foreign Military Sales work. The current end strength estimate for FY 1999 is 10 percent less than the FY 1998 levels while workyears are 11 percent less. Additionally, the FY 1999 workyears are 10 percent lower than the FY 1999 program in the FY 1998/1999 President's Budget which reflects the increased productivity targets DFAS will achieve in FY 1999. As in FY 1998, some dollars associated with these reduced workyears will be reprogrammed to other high priority areas.

Military personnel end strength grows from FY 1997 to FY 1998 as vacant authorizations are filled. FY 1998 military personnel levels remain consistent with those programmed in the FY 1998/1999 President's Budget. The FY 1999 estimate is 10 percent less than the FY 1998 levels. Additionally, the FY 1999 military personnel level is 10 percent lower than last year's President's Budget program for FY 1999. This reduction reflects the QDR emphasis on moving military personnel out of infrastructure billets. DFAS is able to handle these reductions through productivity initiatives such as the expansion of the DoD Purchase Card program.

<u>Total Costs</u>:

	Dollars in Millions		
	FY 1997	FY 1998	FY 1999
Costs	$1,645	$1,684	$1,625

<u>FY 1997 to FY 1998</u>:

Total costs are projected to increase from $1,645 million to $1,684, an increase of $39 million. This increase is offset by the $62 million in savings from productivity initiatives that DFAS will achieve in FY 1998. These savings result from four initiatives: DoD Purchase Card re-engineering, site consolidation, system

consolidation and standardization, and other business process improvements. Additional details on the initiatives driving these cost reductions is provided above in the paragraph titled DFAS Savings.

Costs decrease in a variety of programs. Funding site consolidation has been key element in DFAS efforts to generate savings. The consolidation of DAOs into approved Operating Location sites moves into its final phase during FY 1998. As a result, the requirement for one-time implementation costs declines to $51 million, a drop of $23 million or 31 percent from FY 1997 levels. As in FY 1997, these costs will support transition operations, equipment and furniture buys, incentive and severance pay, and personnel relocation costs. Information costs decrease by $20 million as data processing workload requirements decline at Navy facilities as new systems are implemented and one-time FY 1997 payments to the Defense Information Systems Agency are not required.

The transfer of the funding source for Defense Property Accounting System operating costs from the DWCF to the Operations and Maintenance, Defense-Wide appropriation decreases costs by $6 million. Base support costs decrease by $4 million. This decrease is driven primarily by a change in host-tenant procedures which reduces the amount the host can recoup from the tenant and thus reduces DFAS reimbursements. Finally, the transfer of Defense Logistics Agency workload from Contract Invoices Paid - MOCAS to Contract Invoices Paid - SAMMS takes advantage of lower SAMMS processing costs, saving $3 million.

Costs increase in three major programs. Facility renovation, increasing costs by $45 million, continues at the DFAS facility in Indianapolis, Indiana. Work will focus on the restoration of the infrastructure - asbestos removal, electrical system, fore protection, heating and air conditioning system and plumbing - of the 44 year-old building.

Training costs increase by $15 million to enhance employee performance. DFAS is developing a competency-based career development and certification programs to upgrade executive skills, upgrade technical performance and improve customer service. Funding will be used to support contract

curriculum development and on-site delivery at a central location.

Depreciation is a recurring cost driven by the capital investments required to generate savings. Depreciation increases by $60 million in FY 1998 over FY 1997 levels as more capital assets, especially software development and modernization projects, are completed and posted to the DFAS property books. Other costs increase as DFAS shifts $8 million in additional resources to ensure progress payments to vendors meet statutory requirements and large-dollar contracts are properly reconciled before payment to prevent problem disbursements. Finally, DFAS is scheduled to take over various program management offices in such areas as the Overseas Banking, the Charge Card and the DoD Travel Card Programs. Personnel and operating costs in these programs add $3 million.

FY 1998 President's Budget to FY 1998 Current Estimate

The $5 million decrease in the current FY 1998 estimate from the estimate contained in the FY 1998 President's Budget (from $1,689 million to $1,684 million) reflects a number of offsetting decreases and increases due to changing DFAS missions and priorities. Some reductions result from the impact of FY 1997 experience. Travel costs decline $5 million as on-site video teleconferencing use increases and nonessential travel is limited. DFAS reduced its civilian workyear use significantly in FY 1997. This reduced the workyear requirements in FY 1998 with $11 million of the associated labor costs being reprogrammed to other high priority management initiatives. Additionally, training costs decrease by $5 million to reflect a Congressional reduction in the FY 1998 Defense Appropriations Act.

Costs increase in FY 1998 estimate from the President's Budget for a variety of reasons. Overall information management costs increase by $8 million. More software maintenance on aging systems is required to ensure on-going performance. Additional reimbursement is being made to the Defense Information Systems Agency to align more appropriately the estimated bill and DFAS payments. This increase is offset by reduced reimbursements to Navy information processing facilities for declining workload.

Costs increase $4 million to support additional contract and progress payment reconciliations. Finally, additional program management offices costing $3 million are being transferred to DFAS adding to our mission responsibility. The program management offices support on-going initiatives in the banking, charge card and travel areas.

FY 1998 to FY 1999

	$ in M
FY 1998 Program	$1,684
Price Growth	40
Program Change	-67
New Missions	62
Depreciation	19
Savings	-113
FY 1999 Program	$1,625

As shown in the above chart, the FY 1999 cost program is driven by cost savings and program reductions. These reductions would be even more significant if they were not offset by $81 million in new missions and increased depreciation.

Overall, costs drop by $59 million between FY 1998 and FY 1999. They continue to be driven down by savings from productivity and QDR/DRI initiatives. DFAS' consolidation of DAOs into the Operating Locations concludes in FY 1999. Since the final 25 DAOs are closed and consolidated into their respective Operating locations in FY 1998, only residual site consolidation costs remain, dropping costs by $42 million from FY 1998 levels. While renovation at the DFAS facility in Indianapolis, Indiana continues in FY 1999, the level of effort reimbursed to the DWCF will require $10 million less than in FY 1998. In order to fund critical management initiatives without requesting increased funds, $8 million resulting from workyear reductions is reprogrammed to support such requirements as accounting system standardization. Functional personnel transfers primarily to the Army for cost accounting and Foreign

Military Sales case management support will reduce costs by $7 million. Finally, base support costs decline by $8 million reflecting DFAS' reduced personnel levels.

These cost reductions are offset by increases in several areas. Information management costs increase $20 million, primarily for reimbursements to the Defense Information Systems Agency (DISA) for data processing support. This increase is offset by small decreases in other information management areas. This increase will ensure sufficient funding to reimburse DISA for their projected bill. Implementation of the DoD Purchase Card is projected to cause significant personnel reductions. Although this reduces recurring costs, one-time implementation costs of $18 million will be required for incentive and severance payments along with limited Permanent-Change-of Station costs for workload realignments. Training costs also increase by $6 million for continued curriculum development and executive and technical training. This brings the DFAS training effort up to a full-performance level.

There are also smaller projected cost increases for a variety of other programs. Costs increase by $8 million due to continuing intensive efforts to standardize DoD's accounting systems. These costs support in-house labor and contractual support for refining system functionality and pilot testing. In a similar way, $6 million will be used to support the increased implementation and usage of electronic document access. This technology will allow shared access to shared documents contained in an electronic filing cabinet. Use of this technology will decrease paperwork and increase productivity. In order to meet DFAS' QDR savings target for outsourcing and meet DRI guidance, $3 million will be required for contractor support to assist in conducting outsourcing studies. An additional $1 million is being applied to ensure appropriate progress payments are made and to ensure accurate contract payments are made and problem disbursements are lessened.

Finally, as is the case throughout FY 1997 to FY 1999, expenses increase in FY 1999 as more of DFAS' capital investments are completed, recorded on the property books and depreciated. The increase in depreciation of $19

million reflects the business practice of replenishing cash balances drawdowns due to capital investment outlays.

Costs by Output Category:

Dollars in Millions

	FY 1997	FY 1998	FY 1999
Civilian Pay Accounts Maintained	$80	$63	$56
Civilian Pay Acts Maintained-DBMS	1	-0-	-0-
Active Mil Pay Acts Maintained	148	146	136
Military Pay Incremental - Army	66	58	58
Military Pay Incremental - Marine Corps	-0-	-0-	3
Retired Mil Pay Acts Maintained	60	59	59
Reserve Mil Pay Acts Maintained	39	37	37
Contract Invoices Paid - MOCAS	107	115	129
Contract Invoices Paid - SAMMS	33	34	25
Travel Vouchers Paid	85	80	77
Transportation Bills Paid	34	31	32
Commercial Invoices Paid	230	209	162
Out-of-Service Debt Cases Closed	21	15	23
Monthly Trial Balances Maintained	649	684	675
Acctng & Fin Spt/Commissary	8	8	7
FMS Cases Managed	40	39	38
Support To Others	44	106	108
Total Costs	$1,645	$1,684	$1,625
Customer Rate Changes (%)			
Financial Operations		-12.6	3.7

DFAS has 17 output categories which cover the broad range of accounting and finance activities. All outputs except Support to Others are workload-driven and thus have individual unit cost rates. The Support to Others output is managed on a cost reimbursable basis.

The FY 1998 costs for the majority of outputs decline or increase only for inflation over FY 1997 levels. Particularly notable are declining costs for Civilian Pay Accounts Maintained, Military Pay Incremental, Out-of-Service Debt Cases Closed and FMS Cases Managed. Costs for Civilian Pay Accounts Maintained decrease by 20 percent reflecting the continuing implementation of the standard civilian pay system, the Defense Civilian Pay System (DCPS). Military Pay Incremental costs decline by 12 percent due to decreased use of Army military labor for installation-level military pay support. Commercial Invoices Paid costs decline by 8 percent with the initial use by DFAS' customers

of the DoD Purchase card which simplifies processing. Costs for Out-of-Service Debt Cases Closed decrease by 29 percent due to the completed consolidation of debt management at one DFAS location. The Civilian Pay Accounts Maintained - Partial DBMS output is eliminated as workload moves to DCPS.

Output costs increase significantly for three outputs: Contract Invoices Paid - MOCAS, Monthly Trial Balances Maintained and Support to Others. Costs for Contract Invoices Paid - MOCAS increase due to additional depreciation and for additional funding to expedite large-dollar value contract reconciliations and to ensure compliance with progress payment guidelines. Costs for Monthly Trial Balances Maintained increase due to increased depreciation and cost comparison studies. Support to Others costs increase for additional curriculum development and training and facility renovation. This output is cost reimbursable and not workload-driven. As a result, the increased costs are not in the billing rates charged to DFAS' customers.

As in FY 1998, costs in FY 1999 for the majority of outputs either decline or increase only for inflation. Costs decline significantly in three outputs. The full implementation of DCPS reduces Civilian Pay Accounts Maintained costs by another 10 percent. The total reduction from FY 1997 to FY 1999 for Civilian Pay Accounts Maintained is a significant 30 percent. Costs decrease by 26 percent for Contract Invoices Paid - SAMMS due to the transfer of $10 million in accounting-related costs to the Monthly Trial Balances Maintained output to properly align the customer's (Defense Logistics Agency) accounting support into one output. Costs for Commercial Invoices Paid decline by 22 percent as increased use of the DoD Purchase Card for small purchases by DFAS' customers reduces processing costs. Overall, Commercial Invoices Paid costs decline by 30 percent over the FY 1997 to FY 1999 period.

Costs increase in a few outputs. Contract Invoices Paid - MOCAS costs continue to increase as additional funding is applied to enhance reconciliations of large dollar value contracts and to address Congressional concerns that appropriate progress payments are made. Additional funding is required to furnish adequately DFAS' new building in Columbus, Ohio. Finally, costs for Out-of-Service Debt

increase as all civilian and military debt management costs are consolidated into this output to improve program management.

Operating expenses are recovered from DFAS' customers through stabilized billing rates. Customer accounts are adjusted by the Under Secretary of Defense (Comptroller) to accommodate changes in DFAS' pricing structure. The composite rate decreases by 12.6 percent in FY 1998 to reflect the lack of a capital investment surcharge, increased productivity and the return of prior year operating gains to DFAS' customers. The composite rate for FY 1999 increases a modest 3.7 percent, reflecting a small lag between reduced workload and cost reduction, particularly in the area of Commercial Invoices Paid, where workload is projected to decline rapidly generating the need for one-time personnel separation incentive and severance costs.

Workload:

	Units in Millions		
	FY 1997	FY 1998	FY 1999
Civilian Pay Accounts Maintained	19.1	19.8	19.2
Civilian Pay Accounts Maintained-PB	.1	-0-	-0-
Active Mil Pay Accts Maintained	18.5	18.2	17.9
Military Pay Incremental - Army	5.1	5.0	5.0
Military Pay Incremental - Marine Corps	-0-	-0-	.3
Retired Mil Pay Accts Maintained	26.0	26.5	27.0
Reserve Mil Pay Accts Maintained	11.8	11.7	11.7
Contract Invoices Paid - MOCAS	1.2	1.1	1.1
Contract Invoices Paid - SAMMS	3.9	4.2	4.3
Travel Vouchers Paid	5.3	5.0	4.9
Transportation Bills Paid	2.2	2.3	2.2
Commercial Invoices Paid	8.9	13.9	9.8
Out-of-Service Debt Cases Closed	.1	.1	4.6
Monthly Trial Balances Maintained	.6	.5	.5
Acct & Fin Spt/Commissary	.1	.1	.1
FMS Cases Managed	.2	.2	.2

DFAS workload estimates are based on the best available information of projected customer dollar and personnel resources. These projections, which reflect a continuing although slowing military force drawdown, forecast that overall FY 1998 workload will decline by 1 to 2 percent (with certain exceptions). Workload for Civilian Pay Accounts Maintained increases by 4 percent due to the transfer to DFAS of overseas payroll accounts and accounts from the Defense Business Management System (DBMS) which

were in the other Civilian Pay output. Workload for Civilian Pay Accounts Maintained - Partial DBMS declines to zero as all pay accounts are shifted to the Defense Civilian Pay System (DCPS).

Retired Pay Accounts Maintained workload is projected to increase about by 2 percent as military members retire due to the force drawdown. Contract Invoices Paid - SAMMS workload is projected to increase by about 8 percent due to additional invoices generated by direct vendor delivery, plus the transfer of accounts from MOCAS. Per the request of the customer, the Defense Logistics Agency (DLA) contracts were transferred from MOCAS to SAMMS to take advantage of the SAMMS processing procedures. Consequently, the workload for Contract Invoices Paid - MOCAS decreases by 12 percent as the contracts transfer to the SAMMS output.

Starting in FY 1998, Commercial Invoices Paid workload will be counted per line of accounting instead of per invoice. This methodology will provide more precise counts and customer identification. Despite the apparent increase in workload since there can be more than one line of accounting per invoice, the actual processing workload is projected to decline as DFAS customers begin using the reengineered processes associated with the DoD Purchase card; the DoD Purchase Card allows bulk obligations and purchasing which reduces the number of lines of accounting entered into the accounting systems.

Overall, FY 1999 workload is projected to continue to decline similarly. The driving workload factor remains, as in FY 1998, the military force drawdown.

Workload for the military pay outputs begins to level off to reflect projected personnel levels, except for Retired Military Pay Accounts Maintained which increases slightly with continued retirements. As in FY 1998, there are exceptions to this general decline.

First, it should be noted that we have established a new output, Military Pay Incremental - Marine Corps. Similar to the output for the Army, additional processing is required for certain Marine Corps military pay accounts. In order to capture this additional cost and ensure it was

assessed only to the Marine Corps, we created the new output.

Workload for Retired Military Pay Accounts Maintained increases for the same reasons as in FY 1998 - increased retirements. Reserve Military Pay Accounts workload levels off in FY 1999 to reflect the fact that the military force drawdown flattens out. Contract Invoices Paid - SAMMS increases by 2 percent with increased use of direct vendor delivery. Contract Invoices Paid - MOCAS workload stabilizes as more backlogs are cleared and the transfer of accounts to the SAMMS output is completed.

Commercial Invoices Paid workload decreases in FY 1999 by 42 percent as a result of the projected increased use of the DoD Purchase Card by DFAS' customers. The workcount for Out-of-Service Debt Cases Closed will change to Out-of-Service Debt Cases Maintained starting in FY 1999. This workcount methodology more accurately portrays the total work performed in this area. Workload increases significantly since many more cases are maintained than closed in a fiscal year.

Operating Results:

	Dollars in Millions		
	FY 1997	FY 1998	FY 1999
Revenue	$1,770	$1,629	$1,621
Costs	1,645	1,684	1,625
Net Operating Results	125	-55	-5
Capital Surcharge	-150	-0-	-0-
Prior Year Results	58	33	-22
Accumulated Op Results	33	-22	-27

The FY 1997 net operating gain was $125 million compared to the estimated gain of $121 million contained in the FY 1998/1999 President's Budget. The increase was primarily due to reduced costs below the program. This resulted in accumulated operating results of $33 million rather than the projected position of $29 million.

DFAS projects incurring a $55 million operating loss in FY 1998. This results from the FY 1998 billing rates returning $29 million of prior year profit to the customers.

Decreased revenue resulting from lower Contract Invoices Paid - MOCAS and Commercial Invoices Paid workload accounts for the remaining $26 million loss. The FY 1999 loss is due to added costs for reimbursement to the Defense Information Systems Agency resulting from price increases. Due to a change in the DWCF policy which seeks to minimize billing rate fluctuations, half of the cumulative loss will be recovered in the FY 2000 billing rates.

Capital Budget:

Financial Operations (Dollars in Millions):

	FY 1997	FY 1998	FY 1999
Software Dev/Mod	$200.6	$229.9	$202.4
ADPE			
-Electronic Data Mgt	22.4	7.0	3.2
-ELAN	2.1	2.4	.6
-Telecommunications	4.2	2.3	0.0
-Defense Message Service	5.0	0.4	0.0
-Other	9.5	11.5	4.0
Non-ADPE Equipment	0.0	0.6	1.2
Minor Construction	2.1	1.1	1.4
Total Capital Authority	$245.9	$255.2	$212.8

The FY 1999 capital budget continues the DFAS commitment to improved financial management within DoD and cost savings to our customers. After peaking in FY 1998 at $255.2 million, the capital budget will decline to $212.8 million in FY 1999. Beyond the budget horizon, planned capital budgets will decline further as the systems migration strategy reaches maturity and more standard systems are fielded.

Development and modernization in support of the finance systems migratory strategy is budgeted at $76.9 million in FY 1998 and $58.2 million in FY 1999. Finance systems have declined from 127 in 1991 to 34 at the end of FY 1997, with a target of only 9 systems in 2002. Substantial savings have already been realized as a result of this effort. For

example, implementation of the Defense Debt Management System has resulted in the elimination of four systems and savings of $8 million. The deployment of the standard Defense Retiree/Annuitant Pay System cut the number of systems in use from 4 in FY 1991 to 1 today. As noted earlier, progress continues in the implementation of the Defense Civilian Pay System. Use of this system has dramatically cut the cost of civilian pay processing to the customer.

The capital budget also includes $115.5 million in FY 1998 and $103.2 million in FY 1999 to develop and modernize accounting systems. Accounting systems have been reduced from 197 in 1991 to 122 by the end of 1997, with a target of 23 systems by 2002. The emphasis of the capital budget over the next several years will be toward supporting the migratory strategy for general accounting systems.

Included in the capital budget is $16.4 million in FY 1998 and $7.0 million in FY 1999 for technology to improve productivity through the implementation of Electronic Data Management (EDM) and the expanded use of Electronic Commerce/Electronic Data Interchange. By FY 1999, the implementation of imaging technology through the use of EDM at DFAS Operating Locations will be largely completed. System software requirements for the Year 2000 problem have also been funded by DFAS.

Information Services (Dollars in Millions):

	FY 1997	FY 1998	FY 1999
ADPE	$6.9	$5.3	$5.3

Funds provide for the purchase of modern tools and hardware that will speed the development of software while reducing costs.

FY 1999 President's Budget
Revenue and Expenses
Component: Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
Revenue			
Gross Sales			
Operations	1,482.4	1,431.3	1,405.1
Capital Surcharge	150.0	0.0	0.0
Depreciation exc Maj Const	137.5	197.2	215.8
Major Construction Dep	0.0	0.0	0.0
Other Income			
Refunds/Discounts (-)			
Total Income:	1,769.9	1,628.5	1,620.9
Expenses			
Salaries and Wages:			
Military Personnel Comp & Bene	43.4	46.6	43.4
Civilian Personnel Comp & Bene	884.2	870.8	790.7
Travel & Transportation of Personnel	30.2	18.5	14.6
Materials & Supplies (Internal Operations)	16.9	10.1	9.7
Equipment	30.8	18.0	17.5
Other Purchases from Revolving Funds	273.6	230.8	260.9
Transportation of Things	5.1	1.8	1.1
Depreciation - Capital	137.5	197.2	215.8
Printing and Reproduction	2.6	2.3	2.2
Advisory and Assistance Services	4.4	5.3	8.0
Rent, Comm, Utilities, & Misc Charges	54.0	49.0	50.3
Other Purchased Services	162.3	233.4	211.2
Total Expenses	1,645.0	1,683.8	1,625.4
Operating Result	124.9	-55.3	-4.5
Less Capital Surcharge Reservation	-150.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR/AOR	0.0	0.0	0.0
Net Operating Result	-25.1	-55.3	-4.5
Other Changes Affecting AOR	58.0	32.9	-22.4
Accumulated Operating Results	32.9	-22.4	-26.9

FY 1999 President's Budget
Source of Revenue
Component: Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. Orders From DoD Components:			
Air Force, O & M	$334.0	$312.4	$298.4
Army, O & M	$595.3	$517.8	$525.5
Marine Corps, O & M	$75.3	$70.2	$66.5
Navy, O & M	$367.6	$331.2	$332.5
Defense Agencies, O & M	$181.0	$205.5	$217.5
Subtotal, O&M	$1,553.2	$1,437.1	$1,440.4
Air Force, RDT&E	$9.9	$8.5	$8.0
Army, RDT&E	$29.7	$27.3	$26.4
Navy, RDT&E	$9.2	$7.8	$7.8
Subtotal RDT&E	$48.8	$43.6	$42.2
2. Orders from Other Fund Business Areas:			
Army	$7.5	$7.8	$7.2
Navy	$31.2	$23.9	$21.5
DLA	$47.0	$40.4	$36.9
Marine Corps	$3.0	$2.5	$2.5
Defense Agencies:			
Air Mobility Command	$4.1	$3.6	$3.8
Defense Automated Printing	$2.0	$1.6	$1.5
Defense Commissary Agency	$19.9	$16.9	$17.3
Defense Info Systems Agency	$2.2	$5.4	$3.8
Financial Systems Organization	$6.2	$4.6	$4.4
Joint Logistics System Center	$0.1	$0.2	$0.1
Mil SeaLift Command	$0.6	$0.9	$0.9
Mil Traffic MGMT Command	$0.8	$0.9	$0.8
Subtotal Defense Agencies	$35.9	$34.1	$32.5
Subtotal DWCF	$124.6	$108.7	$100.6
3. Total DoD:	$1,726.6	$1,589.5	$1,583.2
4. Other Orders			
Other Federal Agencies			
Trust Fund-FMS	$43.3	$39.1	$37.7
5. Total Gross Orders:			
6. Change to Backlog:			
7. Total Gross Sales:	$1,769.9	$1,628.5	$1,620.9

FY 1999 President's Budget
Changes in the Costs of Operation
Component: Defense Finance and Accounting Service
Business Area: Financial Operations
Date: February 1998
(Dollars in Millions)

	Expenses
FY 1997 Actual:	$1,645
FY 1998 Estimated in President's Budget:	$1,689
Estimated Impact in FY 1998 of Actual FY 1997 Experience:	
Acceleration of WY Savings	-$11
Travel	-$5
Pricing Adjustments:	
Civilian Labor	$3
General Purchase Inflation	-$2
Program Changes:	
Training	-$5
Information Management	$8
Contract Reconciliation	$4
Program Management Offices	$3
FY 1998 Current Estimate:	$1,684
Pricing Adjustments:	
Annualization of Prior Year Pay Raises	$6
FY 1999 Pay Raise	
Civilian Personnel	$19
Military Personnel	$1
Fund Price Changes	$7
General Purchase Inflation	$7
Productivity Initiatives and Other Efficiencies:	
DoD Purchase Card	-$66
Site Consolidation	-$13
Outsourcing	-$13
System Standardization	-$12
Electronic Data Management	-$7
Process Improvements	-$2
Program Changes:	
Site Consolidation	-$42
Facility Maintenance	-$10
Base Support	-$8
Personnel Transfers	-$7
Information Management	$20
DoD Purchase Card	$18
System Standardization	$8
Financial Management Training	$6
Electronic Data Access	$6
Outsourcing	$3
Contract Reconciliation	$1
Other Changes:	
Depreciation	$19
FY 1999 Estimate:	$1,625

DEFENSE FINANCE AND ACCOUNTING SERVICE
INFORMATION SERVICES BUDGET ACTIVITY

Functional Description:

The Information Services budget activity funds the DFAS Financial Systems Organization (FSO). The primary mission of the FSO is to provide fee-for-service software development and maintenance for DFAS automated accounting and finance systems. The DFAS Financial Operations budget activity buys software development and maintenance services from the FSO using a stabilized Direct Billable Hour (DBH) rate. Additionally, the FSO sells technical support charged on a cost reimbursable basis.

To help DFAS reduce the cost of finance and accounting services, the FSO implements and monitors the DFAS internal information technology infrastructure. This infrastructure provides the foundation to improve Financial Operations productivity and consolidate information systems in support of DFAS cost savings goals.

The FSO operates a Financial Systems Activity (FSA) at each of the five DFAS Centers, one in Pensacola, Florida, one in Lexington Park, Maryland, and a small headquarters located in Indianapolis. The FSO headquarters provides management for DFAS Federal Information Processing (FIP) acquisitions, systems management, technology support, and business management for the subordinate FSAs. The following table provides the FSO in-house workforce:

Personnel	FY 1997	FY 1998	FY 1999
Civilian End Strength	1,323	1,522	1,500
Civilian Workyears	1,331	1,466	1,507
Military End Strength	96	91	91

	FY 1997	FY 1998	FY 1999
Total Costs $M	$201.2	$220.7	$221.3

In FY 1998, DFAS and the Department of the Navy agreed to transfer fifty civilian workyears and end strength for the software development and maintenance of the Navy Industrial

Fund Management System from Navy to DFAS. This transfer created a new DFAS Central Design Activity, located in Lexington Park, Maryland.

The FSO augments their work force with contractor to meet the demands of software development and for technical expertise not available in-house, such as for Certified Network Engineers. Currently, approximately 20% of the FSO work effort is provided by contract support.

FY 1998 President's Budget to FY 1998 Current Estimate

The current FY 1998 direct billable hour (DBH) workload projection of 2.5 million DBH is .2 million (8%) higher than the President's Budget FY 1998 projection from last year. This is due to the FSO's increased involvement with accounting system development projects in concert with the DFAS Defense Accounting System Program Management Office.

The current FY 1998 budget for the Support to Others output of $83.7M increased by $25.9 million from last year's FY 1998 budget. This change is due to the transfer of the Patuxent River Central Design Activity from the Navy to DFAS in FY 1998. Since this transfer occurred after the submission of the FY 1998 President's Budget, it will be treated as a Support to Others cost reimbursable operation in FY 1998. In FY 1999, the Patuxent River Central Design Activity will transition into the Direct Billable Hour program.

FY 1998 Current Estimate to FY 1999

The $1.5 million increase from FY 1998 to FY 1999 represents a stable program. Software development and maintenance at the Patuxent River Central Design Activity transferred from the Navy to DFAS in FY 1998 is included in the DBH output in FY 1999. This increase of 275,000 DBH from FY 1998 is reflected as an expense shift between outputs at the FSO and is not program growth.

In the DBH output, the program change of $18.6 million is composed of $3.7 million in pay raise and inflation adjustments, and transfer of $14.9 million in workload at Patuxent River Central Design Activity from the Support to Others output into the DBH output. The Support to Others output decreases due to this shift of workload into DBH.

Costs by Output Category:

$ in Millions	FY 1997	FY 1998	FY 1999
Direct Billable Hours	$145.1	$137.0	$155.6
Support To Others	$56.1	$83.7	$65.7
	=====	=====	=====
Total	$201.2	$220.7	$221.3

The Direct Billable Hours output reflects all costs required to perform software development and maintenance. The output is based on 1650 hours per direct in-house workyear and 1800 hours per contract support workyear. Direct hours include civilian, military, overtime, and contract support hours.

The Support to Others output reflects technical support, such as technical support for Local Area Networks, software training, and implementation support for software systems.

Approximately 80% of the FSO personnel develop and maintain software, while 20% support information technology infrastructure activities.

Workload:

	Units in Millions		
	FY 1997	FY 1998	FY 1999
Direct Billable Hours	2.6	2.5	2.7

The FSO works closely with their customers, primarily the DFAS Financial Operations budget activity, to estimate FSO workload. These discussions determine the number of hours required by system for software development and maintenance. Workload is relatively stable in all years. This reflects the continuing advancement of the DFAS migratory strategy for DoD Finance and Accounting systems. The FY 1999 DBH workload increase is due to the transfer of the Patuxent River Central Design Activity into the DBH program.

Operating Results:

	$ in Millions		
	FY 1997	FY 1998	FY 1999
Revenue	$204.1	$224.1	$221.9
Costs	$201.2	$220.7	$221.3
Net Operating Results	$2.9	$3.4	$0.6
NOR Adjustment	($6.9)		
Accumulated Op Results	($4.0)	($0.6)	$0.0
Direct Billable Hour Unit Cost Rate	$56.71	$54.37	56.98
Direct Billable Hour Billing Rate	$55.18	$55.72	57.19
Composite Rate Change (%)		1%	3%

The FY 1998 DBH unit cost decreases due to savings resulting from the substitution of in-house employees for contractors. The FSO software process improvement program and the standard software services contract provide additional productivity savings in FY 1998. In FY 1999, upward pressure on the DBH unit costs is from the higher costs of contract support.

The DBH billing rate increases cover the prior year loss and the increase in contract support costs.

Economies and Efficiencies:

The Information Services budget activity has several ongoing initiatives to standardize, modernize, and reduce costs in the software development process. The FSO's Software Process Improvement (SPI) program seeks to improve and standardize the software development, modification, and re-engineering practices. Efforts in the areas of configuration management, project tracking, requirements analysis, and release management are projected to offset some on the increase in contract support costs.

The FSO's Managing Application Performance program is a joint effort with the Defense Information Systems Agency (DISA) to lower processing costs and to improve the performance of DFAS financial applications software. The program ensures that efficiency and responsiveness are built into applications as they are developed and continues to monitor system performance in production by instituting performance checkpoints.

FY 1999 President's Budget
Revenue and Expenses
Component: Defense Finance and Accounting Service
Budget Activity: Information Services
Date: February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
Revenue			
Gross Sales			
Operations	196.9	214.8	211.8
Capital Surcharge	0.0	0.0	0.0
Depreciation exc Maj Const	7.2	9.3	10.1
Major Construction Dep	0.0	0.0	0.0
Other Income			
Refunds/Discounts (-)			
Total Income:	204.1	224.1	221.9
Expenses			
Salaries and Wages:			
Military Personnel Comp & Benefits	2.7	3.0	3.1
Civilian Personnel Comp & Benefits	86.0	95.3	100.5
Travel & Transportation of Personnel	3.1	6.3	7.4
Materials & Supplies(Internal Operations)	2.3	2.5	2.3
Equipment	3.6	2.3	2.3
Other Purchases from Revolving Funds	17.3	15.1	15.6
Transportation of Things	0.1	0.1	0.1
Depreciation - Capital	7.2	9.3	10.1
Printing and Reproduction	0.0	0.0	0.0
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Comm, Utilities, & Misc Charges	2.1	3.7	3.7
Other Purchased Services	76.8	83.1	76.2
Total Expenses	201.2	220.7	221.3
Operating Result	2.9	3.4	0.6
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR/AOR	0.0	0.0	0.0
Net Operating Result	2.9	3.4	0.6
Other Changes Affecting AOR	-6.9	-4.0	-0.6
Accumulated Operating Results	-4.0	-0.6	0.0

FY 1999 President's Budget
Source of Revenue
Component: Defense Finance and Accounting Service
Budget Activity: Information Services
Date: February 1998
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. Orders From DoD Components:			
Army, O & M	$0.0	$0.0	$0.0
Air Force, O & M	$0.2	$0.1	$3.5
Navy, O & M	$2.0	$15.9	$10.7
Marine Corps, O & M	$9.5	$6.1	$6.0
Defense Agencies, O & M	$0.0	$0.0	$0.0
2. Orders From Other Fund Business Areas:			
Defense Agencies	$192.4	$202.0	$201.7
3. Total DoD:	$204.1	$224.1	$221.9
4. Other Orders:			
Other Federal Agencies			
Trust Fund-FMS	$0.0	$0.0	$0.0
5. Total Gross Orders:	$204.1	$224.1	$221.9
6. Change to Backlog:	$0.0	$0.0	$0.0
7. Total Gross Sales:	$204.1	$224.1	$221.9

FY 1999 President's Budget
Changes in the Costs of Operation
Component: Defense Finance and Accounting Service
Budget Activity: Information Services
Date: February 1998
(Dollars in Millions)

	Expenses
FY 1997 Actual	$201.2
FY 1998 Estimated in President's Budget:	$185.0
Estimated Impact in FY 1998 of Actual FY 1997 Experience:	$0.0
Program Changes:	
Increase in Software Dev/Mod Customer Orders	$10.5
Transfer in of Patuxent River CDA	$26.2
Pricing Adjustments:	
Non-labor pricing adjustment	($0.6)
Productivity Initiatives and Other Efficiencies:	
Reduction of Overhead Expenses	($0.4)
FY 1998 Current Estimate:	$220.7
Pricing Adjustments:	
FY 1999 Pay Raise	
Military Personnel	$0.1
Civilian Personnel	$3.0
Other Price Changes	$2.0
Productivity Initiatives and Other Efficiencies:	
Support To Others Contract Efficiencies	($1.2)
Program Changes:	
Increase in Depreciation	$0.8
Increase in DBH Contract support costs	$2.5
Adjustment in Software Dev/Mod Customer Orders	($1.2)
Reduction in Technical Support workload	($5.4)
FY 1999 Estimate:	$221.3

DEPARTMENT OF DEFENSE
DEFENSE-WIDE WORKING CAPITAL FUND

INFORMATION SERVICES ACTIVITY GROUP
DEFENSE INFORMATION SYSTEMS AGENCY
FY 1999 PRESIDENT'S BUDGET

FUNCTIONAL DESCRIPTIONS

The Defense Information Systems Agency (DISA) manages the Information Services activity group. At a high level, this activity group can be divided into two key lines of business:

- Telecommunications
- Data Processing

Telecommunications

DISA telecommunications are managed by the Communications Information Services Activity (CISA). The primary mission of the CISA is to purchase telecommunications and related information technology products from the worldwide commercial sector to meet the needs of DoD Components and authorized non-defense customers. CISA operations can be divided into three functional components:

- Defense Information Systems Network (DISN)
- Non-DISA Managed Communication Systems
- Non-Communication Services

The CISA provides a single source for high quality, reliable, survivable, and secure telecommunications services for defense command and control. The CISA is also an ideal source for procurement of cost-effective and commercially competitive information technology, voice, data, and video telecommunications services. The lowest possible customer price is maintained through bulk quantity purchases, economies of scale, and reengineering current communication services.

DISA's core program is the Defense Information Systems Network (DISN). The DISN strategy is to consolidate the service and agency telecommunications networks into one common-user network with interoperable equipment. DISN is a subset of the Defense Information Infrastructure (DII). DISN services are grouped into five service offerings:

1. Switched Services
2. Transmission Networks
3. Data Networks
4. Messaging Services
5. Video Services

Each of the five service offerings consists of unique DISA managed programs that share a common objective. The programs within each service offering are listed in Table 1:

Table 1:
Components of the Defense Information Systems Network

Offering	Supporting Programs/Networks
Switched Services	• Defense Switched Network (DSN) • Defense Red Switch Network (DRSN) • Oahu Telephone System (OTS) • Hawaii information Transfer System (HITS)
Transmission Services	• Dedicated Transmission Network (MUX) • Hawaii Area Wideband System (HAWS) • Puerto Rico Area Wideband System (WAWS) • Bulk Encrypted Communications (BEC) • Pacific Transmission Network (TRANS-P) • European Transmission Network (TRANS-E) • Continental United States (CONUS) Channel Pack
Data Networks	• Internet Protocol (IP) Routers • Joint Worldwide Intelligence Communications System (JWICS) • Asynchronous Transfer Mode (ATM)
Messaging Services	• Automated Digital Network • Defense Messaging System
Video Services	• Defense Commercial Telecommunication Network – Video Teleconferencing (VTC) • Defense Video Teleconferencing Network (DVTC)

The DISN budget includes extensive consolidation and standardization efforts. This includes merging the DCS Spain Italy Reconfiguration (DSIR), the Defense Mediterranean Improvement Program (DMIP), and the Digital European Backbone (DEB), which together will form the DISN Transmission System - Europe. OTS and HAWS will merge to form HITS, and TRANS-P will reorganize to the DISN Transmission System - Pacific in FY 1999.

In addition to the rate-based DISN, the CISA also provides a wide range of cost-reimbursable communications services for the DoD components and authorized non-defense customers.

Data Processing

DISA manages the Defense Megacenters (DMCs). The primary mission of the DMCs is to provide information processing and related information technology support services. Presently DISA maintains 16 DMC sites. Among the most significant DMC customers are the Army Material Command, Air Force Material Command, Navy Supply Systems Command, Defense Logistics Agency, and Defense Finance and Accounting Service.

A major consolidation initiative is underway to reduce the total number of DMC sites to 6 by the end of FY 1999. Rather than close the remaining megacenters, they will be converted to Regional Information Systems Centers (RISCs). The six remaining DMCs will recover cost through their traditional rate mechanism, while the RISCs will operate on a reimbursable basis. Table 2 shows the current and planned DMC and RISC sites.

Table 2: Defense Megacenter Sites

Current Megacenter Sites	Planned Megacenter Sites
• Chambersburg, PA	• Columbus, OH
• Columbus, OH	• Mechanicsburg, PA
• Dayton, OH	• Ogden, UT
• Denver, CO	• Oklahoma City, OK
• Huntsville, AL	• St. Louis. MO
• Jacksonville, FL	• San Antonio, TX
• Mechanicsburg, PA	
• Montgomery, AL	**Planned Regional Information Service Center Sites**
• Ogden, UT	• Chambersburg, PA
• Oklahoma City, OK	• Dayton, OH
• Rock Island, IL	• Denver, CO
• Sacramento, CA	• Huntsville, AL
• San Antonio, TX	• Jacksonville, FL
• San Diego, CA	• Montgomery, AL
• St. Louis, IL	• Rock Island, IL
• Warner Robins, GA	• San Diego, CA
Note: In accordance with BRAC decisions, DMC Sacramento will close during FY 1998.	• Warner Robins, GA

MAJOR CHANGES BETWEEN FISCAL YEARS

Communications Information Services Activity

FY 1998 President's Budget to FY 1998 Current Estimate. Estimated FY 1998 budgeted revenues and costs have dropped significantly since the previous President's Budget submission. This change can largely be attributed to downward revisions of customer demand for purchased communications from non DISA-managed systems. A decline in demand for non-communications procurement services (DEIS, InfoSec) is also expected.

FY 1998 Current Estimate to FY 1999. The CISA is expecting a further decline in costs and revenues, again due to a decline in customer requirements for purchased communications from non DISA-managed systems.

Defense Megacenters

FY 1998 President's Budget to FY 1999 President's Budget. Budgeted operating costs increased from the previous President's Budget submission by $34.7 million due to one-time consolidation costs. However, this increase has been partially offset by software maintenance contract consolidation and the transfer of 26 civilian positions to the Defense Automated Printing Service.

FY 1998 Current Estimate to FY 1999. Megacenter costs decline in FY 1999 as consolidation savings begin to be realized, specifically in the civilian personnel area. A notable decline in depreciation also favorably impacts the cost equation.

OPERATING BUDGET

At the close of FY 1997, the CISA had a large negative Accumulated Operating Result (AOR), while the DMCs had a smaller, positive AOR. The consolidated activity group AOR stood at -$60 million. Table 3 provides a snapshot of actual FY 1997 operating results and budgeted results for FY 1998 and FY 1999.

Table 3: Operating Budget Summary

Communications Information Services Activity	$ in Millions		
	FY 1997	FY 1998	FY 1999
Revenue	1,996.1	2019.8	1983.0
Costs	2,014.6	1998.0	1933.6
Net Operating Result (NOR)	-18.5	21.8	49.4
Accumulated Operating Result (AOR)	-77.5	-55.7	-6.3

Defense Megacenters	$ in Millions		
	FY 1997	FY 1998	FY 1999
Revenue	681.9	657.1	621.5
Costs	645.4	673.1	636.8
Net Operating Result (NOR)	36.5	-16.0	-15.3
Accumulated Operating Result (AOR)	17.5	1.5	-13.8

The CISA is budgeted to gradually recover its negative AOR, reaching a zero AOR in FY 2000. The DMCs are budgeted to incur NOR losses over the next two years due to one-time consolidation costs. These losses will be recovered after the full effects of consolidation are realized starting in FY 2000.

CAPITAL BUDGET

Capital budget requirements are predicated on the replacement of major telecommunications and ADPE equipment when current

equipment is no longer maintainable, or when replacement parts are not available. DISA strives to provide customers with quality service through the latest technology, and the capital program supports the insertion of new technology through major equipment purchases which provides service enhancements and future cost reductions. Table 4 summarizes the capital program.

Table 4: Capital Budget Summary

$ in Millions	FY 1997	FY 1998	FY 1999
CISA	1.4	5.4	2.8
DMCs	10.3	61.5	17.0
Total Capital Program	11.7	66.9	19.8

Both the CISA and DMC capital budgets rise in FY 1998, then return to normal levels for FY 1999. The bulk of the increase is due to megacenter consolidation costs, which total $52.9 million. The smaller CISA increase is attributable to improvements to CISA Management Information Systems, most notably the Contract Entry System (CES). The CES will provide worldwide automated ordering capabilities for CISA customers.

CUSTOMER RATES, RATE DESIGN, AND UNIT COST

Communications Information Services Activity

The CISA employs many commercial cost recovery rate systems to match an array of communications products and services. The following is an overview of how rates are computed.

DISN rates are developed from a cost analysis of each communications theater. This includes identifying unique system costs and dividing those total costs proportionately, by unit (e.g., weighted units, connections, data packets, minutes of capability, precedence, percent share, etc.) to determine cost per unit. An overhead fee, depreciation, and communications operations/network management costs are also added to the direct cost recovery rates. In this way, customer charges are based on the full amount of products and services ordered and/or utilized.

The CISA has developed product/service price schedules and catalogs which reflect telecommunications services provided worldwide. The products and services cover all forms of switched services, transmission, data, messaging, and video services provided to the DoD and other non-Defense customers. The price schedules cover hundreds of different unique products/services established and categorized by operating theaters worldwide.

Price and performance related to products/services are reviewed in a comparative manner with commercial telecommunications

vendors who provide the same or similar products/services for a published or quoted price. The evaluation against commercial pricing is used both by the CISA and its customers to measure price competitiveness with the private sector.

Defense Megacenters

The DMCs employ two basic methods of cost recovery. They include rate based and direct reimbursement. Each methodology is designed to capture the total cost of operations, including direct and overhead costs.

Table 5 provides the DMC Customer Rates/Unit Cost Components:

Table 5: DMC Customer Rates

Work Load Units	(Dollars per Unit)		
	FY 1997	FY 1998	FY 1999
Unisys			
SUPS	18.4823	17.9297	17.6887
Disk MB Days	.0488	.0409	.0370
Tape Mounts	-	1.8255	1.7871
Cartridge Tapes Stored	-	.1402	.1247
Reel Tapes Stored	-	.1783	.1709
IBM			
CPU Hours (MVS)	107.2886	82.8631	66.4971
I/O Transfers (MVS)	.0882	.0830	.0487
DASD MB Days (MVS)	.0170	.0146	.0090
Tape Mounts Cartridge (MVS)	-	.2705	.1613
Tape Mounts Reel (MVS)	-	4.6462	5.5948
Cartridge MB Days (MVS)	.0010	.0014	.0010
Reel MB Days (MVS)	-	-	.0010
CPU Hours (VM)	-	-	66.4971
I/O Transfers (VM)	-	-	.0487
DASD MB Days (VM)	-	-	.0090
Tape Mounts (VM)	-	-	.1613

The decline in FY 1998 and FY 1999 DMC rates reflect earlier efforts to unbundle and standardize mainframe computing services, as well as savings associated with the DMC consolidation effort.

PERFORMANCE INDICATORS

The CISA budget includes Performance Measures for the Defense Switched Network (DSN). Beginning in FY 1998, DSN usage billing will be in effect for all theaters. The usage billing methodology charges for each completed call based on its length, time of day, level of precedence, and originating/terminating locations.

The Defense Megacenter budget includes performance measures, which revolve around system availability and responsiveness:

1. Ninety-eight percent (98%) system availability, calculated by dividing monthly downtime by the amount of time systems are available during the month.

2. Ninety-five percent (95%) response time of three seconds established as the baseline against which the computer automatically measures and reports results.

3. Ninety-eight percent (98%) of batch jobs run are successful, calculated by dividing the number of jobs that failed by the number of total jobs run.

CIVILIAN PERSONNEL

Table 6 provides an overview of civilian personnel levels and costs for the activity group. In keeping with the general DoD pattern, overall civilian personnel levels decline from FY 1998 to FY 1999.

Table 6: Civilian Personnel

Communications Information Services Activity	FY 1997	FY 1998	FY 1999
Civilian End Strength	454	558	564
Civilian FTE	444	547	555
Civilian Personnel Cost ($ Millions)	$24.7	$33.3	$34.7

Defense Megacenters	FY 1997	FY 1998	FY 1999
Civilian End Strength	3,417	3,659	3,218
Civilian FTE	3,684	3,725	3,296
Civilian Personnel Cost ($ Millions)	$200.5	$186.8	$174.9

The increase in CISA civilian personnel levels and costs between FY 1997 and FY 1998 is largely due to the capitalization of network management personnel at the DISN Service Center in Columbus, Ohio. CISA personnel levels increase slightly between FY 1998 and FY 1999 due to the conversion of certain military billets to civilian positions.

The decline in DMC personnel costs between FY 1997 and FY 1998 is due to reduced costs for retirement fund offsets. The subsequent decline from FY 1998 to FY 1999 is due to actual personnel reductions. The FY 1999 DMC budget achieves end strength and workyear reductions recommended by the DoD Quadrennial Defense Review (QDR). Specifically, end strength and workyear reductions totaling 430 from previously budgeted levels. The FY 1999 column

includes $9.0 million for the Voluntary Separation Incentive Program and $2.5 million for Reduction in Force cost.

MILITARY PERSONNEL

The number of Military Personnel in both the CISA and the DMCs continues to decline as the services have reduced the number of personnel available to DISA and other defense agencies. Table 7 provides a synopsis of military personnel levels and costs.

Table 7: Military Personnel

Communications Information Services Activity	FY 1997	FY 1998	FY 1999
Military End Strength (Authorized)	108	101	101
Military End Strength (Actual)	48	45	25
Military Workyears	48	45	25
Military Personnel Cost ($ Millions)	$2.3	$2.2	$1.6

Defense Megacenters	FY 1997	FY 1998	FY 1999
Military End Strength (Authorized)	138	133	132
Military End Strength (Actual)	124	117	116
Military Workyears	124	117	116
Military Personnel Cost ($ Millions)	$7.3	$6.3	$4.8

CISA military personnel levels are projected to decline sharply between FY 1998 and FY 1999, with a corresponding decline in military personnel costs.

While DMC military personnel levels are unchanged between FY 1998 and FY 1999, there is a decline in the corresponding costs. Beginning in FY 1999, the military personnel reimbursable budget reflects only the cost associated with the actual number of encumbered billets. In this way, DISA will only reimburse the military services for actual services performed.

Revenue and Expenses
Defense Information Systems Agency
Information Services Activity Group
Consolidated Summary
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
Revenue:			
Gross Sales			
Operations	2,541.4	2,586.6	2,543.3
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Major Construction	136.6	90.3	61.2
Major Construction Depreciation	0.0	0.0	0.0
Total Gross Sales	2,678.0	2,676.9	2,604.5
Other Income	0.0	0.0	0.0
Total Income	2,678.0	2,676.9	2,604.5
Expenses:			
Salaries and Wages			
Military Personnel	11.1	8.5	6.4
Civilian Personnel	225.2	220.1	209.6
Travel and Transportation of Personnel	8.4	9.2	9.3
Materials and Supplies (for internal operations)	21.3	25.7	18.0
Other Purchases from Revolving Funds	30.3	33.6	32.5
Transportation of Things	0.5	3.1	0.5
Depreciation - Capital	136.6	90.3	61.2
Printing and Reproduction	8.9	8.4	8.4
Advisory and Assistance Services	53.4	100.5	68.8
Rent, Communications Utilities, Miscellaneous Charges	1,124.3	1,073.5	970.1
Other Purchased Services	1,040.0	1,098.2	1,185.7
Total Expenses	2,660.1	2,671.1	2,570.4
Operating Result	17.9	5.8	34.1
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR	0.0	0.0	0.0
Net Operating Result	17.9	5.8	34.1
Prior Year AOR	(67.9)	(60.1)	(54.3)
Other Changes Affecting AOR	(10.1)	0.0	0.0
Accumulated Operating Result	(60.1)	(54.3)	(20.2)

Revenue and Expenses
Defense Information Systems Agency
Information Services Activity Group
Communications Information Services Activity
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
Revenue:			
Gross Sales			
Operations	1,978.6	2,008.2	1,974.5
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Major Construction	17.5	11.6	8.5
Major Construction Depreciation	0.0	0.0	0.0
Total Gross Sales	1,996.1	2,019.8	1,983.0
Other Income	0.0	0.0	0.0
Total Income	1,996.1	2,019.8	1,983.0
Expenses:			
Salaries and Wages			
Military Personnel	3.6	2.2	1.6
Civilian Personnel	24.7	33.3	34.7
Travel and Transportation of Personnel	1.5	1.7	1.9
Materials and Supplies (for internal operations)	2.5	2.8	2.0
Other Purchases from Revolving Funds	3.2	3.8	3.9
Transportation of Things	0.1	0.1	0.1
Depreciation - Capital	17.5	11.6	8.5
Printing and Reproduction	0.0	0.0	0.0
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Communications Utilities, Miscellaneous Charges	1,091.7	1,032.1	929.2
Other Purchased Services	869.7	910.4	951.8
Total Expenses	2,014.6	1,998.0	1,933.6
Operating Result	(18.5)	21.8	49.4
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR	0.0	0.0	0.0
Net Operating Result	(18.5)	21.8	49.4
Prior Year AOR	(48.9)	(77.5)	(55.7)
Other Changes Affecting AOR	(10.1)	0.0	0.0
Accumulated Operating Result	(77.5)	(55.7)	(6.3)

Revenue and Expenses
Defense Information Systems Agency
Information Services Activity Group
Defense Megacenters
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
Revenue:			
Gross Sales			
Operations	562.8	578.4	568.8
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Major Construction	119.1	78.7	52.7
Major Construction Depreciation	0.0	0.0	0.0
Total Gross Sales	681.9	657.1	621.5
Other Income	0.0	0.0	0.0
Total Income	681.9	657.1	621.5
Expenses:			
Salaries and Wages			
Military Personnel	7.5	6.3	4.8
Civilian Personnel	200.5	186.8	174.9
Travel and Transportation of Personnel	6.9	7.5	7.4
Materials and Supplies (for internal operations)	18.8	22.9	16.0
Other Purchases from Revolving Funds	27.1	29.8	28.6
Transportation of Things	0.4	3.0	0.4
Depreciation - Capital	119.1	78.7	52.7
Printing and Reproduction	8.9	8.4	8.4
Advisory and Assistance Services	53.4	100.5	68.8
Rent, Communications Utilities, Miscellaneous Charges	32.6	41.4	40.9
Other Purchased Services	170.2	187.8	233.9
Total Expenses	645.4	673.1	636.8
Operating Result	36.5	(16.0)	(15.3)
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR	0.0	0.0	0.0
Net Operating Result	36.5	(16.0)	(15.3)
Prior Year AOR	(19.0)	17.5	1.5
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	17.5	1.5	(13.8)

Source of Revenue
Defense Information Systems Agency
Information Services Activity Group
Consolidated Summary
(Dollars in Millions)

		FY 1997	FY 1998	FY 1999
1.	New Orders			
	a. Orders from DoD Components			
	Air Force	647.4	676.9	642.6
	Army	361.5	330.5	329.7
	Navy and Marine Corps	327.2	331.1	313.2
	Other DoD	419.2	368.6	364.0
	b. Orders from other Fund Activity Groups			
	DFAS	211.4	215.0	228.3
	DLA	129.2	135.4	126.3
	DISA	210.6	255.8	242.5
	c. Total DoD	2,306.4	2,313.2	2,246.6
	d. Other Orders			
	Federal Aviation Administration	304.9	295.6	291.1
	Non-DoD Agencies	66.7	68.1	66.8
	Total New Orders	2,678.0	2,676.9	2,604.5
2.	Carry-In Orders	0.0	0.0	0.0
3.	Total Gross Orders	2,678.0	2,676.9	2,604.5
4.	Funded Carry-Over (Charge to Backlog)	0.0	0.0	0.0
5.	Total Gross Sales	2,678.0	2,676.9	2,604.5

Exhibit Fund-11, Source of Revenue

Source of Revenue
Defense Information Systems Agency
Information Services Activity Group
Communications Information Services Activity
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
1. New Orders			
a. Orders from DoD Components			
Air Force	503.1	524.6	516.6
Army	296.9	266.2	262.1
Navy and Marine Corps	203.2	197.7	194.7
Other DoD	322.0	328.8	323.8
b. Orders from other Fund Activity Groups			
DFAS	49.1	45.0	44.3
DLA	41.4	43.1	42.4
DISA	210.6	252.4	242.5
c. Total DoD	1,626.2	1,657.7	1,626.4
d. Other Orders			
Federal Aviation Administration	304.9	295.6	291.1
Non-DoD Agencies	65.0	66.5	65.5
Total New Orders	1,996.1	2,019.8	1,983.0
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	1,996.1	2,019.8	1,983.0
4. Funded Carry-Over (Charge to Backlog)	0.0	0.0	0.0
5. Total Gross Sales	1,996.1	2,019.8	1,983.0

Source of Revenue
Defense Information Systems Agency
Information Services Activity Group
Defense Megacenters
(Dollars in Millions)

		FY 1997	FY 1998	FY 1999
1.	New Orders			
	a. Orders from DoD Components			
	Air Force	144.3	152.3	126.0
	Army	64.6	64.3	67.6
	Navy and Marine Corps	124.0	133.4	118.5
	Other DoD	97.2	39.8	40.2
	b. Orders from other Fund Activity Groups			
	DFAS	162.3	170.0	184.0
	DLA	87.8	92.3	83.9
	DISA	0.0	3.4	0.0
	c. Total DoD	680.2	655.5	620.2
	d. Other Orders			
	Federal Aviation Administration	0.0	0.0	0.0
	Non-DoD Agencies	1.7	1.6	1.3
	Total New Orders	681.9	657.1	621.5
2.	Carry-In Orders	0.0	0.0	0.0
3.	Total Gross Orders	681.9	657.1	621.5
4.	Funded Carry-Over (Charge to Backlog)	0.0	0.0	0.0
5.	Total Gross Sales	681.9	657.1	621.5

Changes in the Costs of Operation
Defense Information Systems Agency
Information Services Activity Group
Defense Megacenters
(Dollars in Millions)

	Expenses
FY 1997 Actual Costs	645.4
FY 1998 Estimate in Previous President's Budget	663.7
Pricing Adjustments:	
Revised Inflation	(3.4)
Program Changes:	
Megacenter Consolidation Costs	34.7
Functional Transfer of Civilian Positions to Defense Automated Printing Service	(6.6)
Additional Savings due to Software Licensing Contracts	(16.6)
Increased CSRS/FERS Contribution	1.3
FY 1998 Current Estimate	673.1
Pricing Adjustments:	
Annualization of Pay Raises	4.8
Inflation	6.0
Program Changes:	
Decrease in personnel compensation associated with consolidation reductions	(18.2)
Decrease in consumption of materials and supplies due to consolidation	(6.9)
Decrease in rent, communications, and utilities due to consolidation	(1.1)
Decrease in travel and transportation requirements due to consolidation	(2.7)
Net Increase in software licensing fees	16.6
Other Changes:	
Decrease in capital depreciation	(26.0)
Other decreases associated with consolidation	(8.8)
FY 1999 Estimate	636.8

Changes in the Costs of Operation
Defense Information Systems Agency
Information Services Activity Group
Communications Information Services Activity
(Dollars in Millions)

	Expenses
FY 1997 Actual Costs	2,014.6
FY 1998 Estimate in Previous President's Budget	2,384.8
Pricing Adjustments:	
Revised Inflation	(42.8)
Program Changes:	
Increase in personnel compensation, including CSRS/FERS contributions	0.6
Decrease in travel and transportation	(0.4)
Decrease in consumption of material and supplies	(1.6)
Decrease in purchased communications due to reduced estimates of business volume	(336.2)
Other Changes:	
Decrease in capital depreciation estimates	(0.7)
Decrease in other operating costs	(5.7)
FY 1998 Current Estimate	1,998.0
Pricing Adjustments:	
Annualization of Pay Raises	1.0
Inflation	29.3
Program Changes:	
Decrease in purchased communications due to declining customer requirements	(118.4)
Increase in communications equipment maintenance costs	8.7
Increase in non-communications purchases for customers	19.0
Other Changes:	
Decrease in capital depreciation estimates	(3.1)
Decrease in other operating costs	(0.9)
FY 1999 Estimate	1,933.6

DEFENSE SECURITY SERVICE (DSS) BUSINESS FUND
Defense-wide Working Capital Fund (DWCF)

FUNCTIONAL DESCRIPTION:

The Defense Security Service (DSS) will begin operating as a business area of the Defense-wide Working Capital Fund in FY 1999. During FYs 1997 and 1998 DSS has undertaken and implemented major reengineering efforts designed to improve the quality of product and to lower operating costs. The business processes of the Working Capital Fund will increase DSS's flexibility for continuing with planned improvements and provide more insightful information about the cost of doing business, which is the first step in controlling costs.

DSS is chartered to administer two major programs: the Personnel Security Investigations (PSI) Program and the National Industrial Security Program (NISP).

The mission of the PSI program is to conduct background investigations on individuals assigned to or affiliated with the Defense Department. This investigative product, which contains information concerning an individual's character, loyalty, emotional stability, and reliability, is used to determine if a security clearance should be granted.

The purpose of the NISP is to ensure that private industry, while performing on government contracts, properly safeguards classified information in its possession.

The PSI and the NISP missions are incorporated into the Defense-wide Working Capital Fund (DWCF) with FY 1999 designated the "test"/reimbursable year. The funds for both programs have been devolved to the PSI customers identified by the DSS, and are based on requests for investigations received in prior years. Further refinements of the customer base will be made during the implementation process. Future year budgets will reflect stabilized rates and full implementation for DSS businesses thereby meeting the DWCF criteria.

Currently, DSS is comprised of a Corporate Headquarters located in Alexandria VA, two operations centers and twelve operations locations. 2,359 end-strength civilian personnel were transferred into the fund to perform the workload of the programs in the fund.

OUTPUTS:

In FY 1999 DSS will use one category of output (the completed personnel investigation) containing several PSI products, e.g., Top Secret Periodic Reinvestigation, Initial Secret Investigation, National Agency Check, etc. During FY 1997 DSS completed 132,436 PSI investigations, with an average completion

rate of 118.2 days per investigation. The chart below reflects the categories our customers have asked for priority "que" and DSS's commitment to provide better service in these areas.

The DSS commitment for FY 1998 is to process Non Issue Industrial Single Scope Background Investigations (SSBIs) within 60 days and other Non Issue SSBI's within 90 days. The DSS commitment for FY 1999 is to complete Non Issue Industrial SSBIs within 45 days vice 60 for FY 1998. This commitment will lower the average investigation closing rate for DSS but the figure is unknown at this time.

DEFENSE SECURITY SERVICE
Output Commitment FYs 1998/1999
Days to Complete

	1997	1998	1999
NON ISSUE Single Scope Background Investigation (SSBI):			
Industrial	114.0	60.0	45.0
Military	126.8	90.0	90.0
Civilian	110.5	90.0	90.0
NON ISSUE Top Secret Periodic Reinvestigation:			
Industrial	138.7	120.0	120.0
Military	132.7	120.0	120.0
Civilian	142.8	120.0	120.0

CUSTOMERS:

The customers for the PSI program are: Army (31%), Air Force (27%), Navy (27%), Marines (4%), DoD Agencies (8%), and NSA (3%).

The NISP customer has been identified as DSS pending completion of customer identification, which is part of the on-going Integrated Product Team process.

CIVILIAN PERSONNEL:

DEFENSE SECURITY SERVICE
In Thousands

	Full-Time Equivalent (FTE)	End Strength
1997 Actuals	2,480	2,428
1998 Budgeted	2,426	2,424
1999 Budgeted	2,375	2,359

During FY 1997, the budgeted DSS FTE level for the NISP and PSI was 2,513 with 2,480 executed at the end of FY 1997. In FY 1998, DSS has a budgeted FTE level of 2,426 with 2,430 on board at the end of December 1997. The reduction in civilian personnel from 1997 to 1998 is attributable to attrition and the approval from DoD to offer a Voluntary Early Retirement Authority/Voluntary Separation

Incentive Program (VERA/VSIP) in December 1997. Since that time, DSS has received approval to run another VERA/VSIP during the second quarter of FY 1998. The results of this VERA/VSIP plus attrition will enable DSS to reach the goal of 2,375 FTE during FY 1999.

Since 1997 DSS management has worked steadfastly to decrease their number of federal employees as they recognize that personnel costs are the primary driver for determining product cost. The numbers in the chart clearly show progress to this end. However, the reengineering efforts, combined with acquiring certain specialties, retraining, attrition, retirement and uncertainty about the requirements of implementing DWCF, will generate significant flux and upheaval in the workforce in the next three years. As a result, DSS will work to manage to the FTE level discussed above but will not consider it a limit to the extent we would compromise implementation of the business processes of the DWCF or reengineering of the DSS. DSS management intends to conduct business within a competitive environment, after reengineering milestones and implementation of the Working Capital Fund are successfully accomplished.

BUDGET/IMPLEMENTATION ANALYSIS:

DSS's goals and objectives for executing the first year in the DWCF is to successfully devolve the Personnel Security Investigations program and to work to identify the benefiting customers for the NISP program.

Selection of the cost accounting system to be utilized by DSS in the Working Capital Fund will be made in the near future. This system implementation is critical to the successful execution of the challenge to become more business-like by operating in the DWCF.

COST OF GOODS SOLD:

DEFENSE SECURITY SERVICE
Elements of Expense

	1997	1998	1999
Spent for PSI/NISP Program	$180.2M	$176.1M	$176.4M
Less Civilian Personnel Costs:	143.2M	147.5M	150.7M
Remainder Available for Non Pay Items:	$ 37.0M	$ 28.6M	$ 25.7M

In FY 1997 DSS spent $180.2M to complete 132,436 investigations. In FY 1998, DSS is budgeted to spend 176.1M to complete approximately the same number of investigations. DSS is projected to perform a smaller amount of workload in FY 1999 but it is customary for DSS to complete more investigations than are projected or opened during a FY.

Civilian personnel costs are the primary driver of expenses; with $143.2M spent in FY 1997 and $147.5M projected to spend in FY 1998. The civilian end strength

remained approximately the same and the increase between the two years is attributable to annualization and the pay raise in FY 1998. Included in the increased civilian projections for FY 1999 is the pay raise, projections for Permanent Change of Station costs (part of the reengineering effort), VERA/VSIP payments, and the increased work year projection as a result of promotions.

The non-pay category is reduced between FY 1997 and 1998 as the Information Technology modernization effort ended in FY 1997. The DSS Information Technology initiative included $45M of funding during FYs 1995 through 1997. The non-pay category includes such things as: travel, transportation of things, Installation Support Agreement payments for space and services, postal, etc. The budget for these items is displayed at Exhibit 14.

UNIT COST:

DEFENSE SECURITY SERVICE
Comparison of Dollars Spent to Product Delivered

	1997	**1998**	**1999**
Spent for PSI/NISP Program:	$180.2M	$176.1M	$176.4M
Number of Investigations Completed:	132,436	132,436	131,265
Unit Cost:	$ 1,360	$ 1,330	$ 1,344

The workload projection for FYs 1998 and 1999 is an estimate; therefore, the unit costs shown are approximate. The increase in unit cost between FYs 1998 and 1999 is attributable to the projected decrease in workload. However, it is normal for DSS to perform more investigations than were projected in the budget process. Increasing the workload in FY 1999 would lower the unit cost.

SUMMARY INFORMATION:

	FY97	FY98	FY99
Cost of Goods Sold ($ in Millions)			$176.4
Net Operating Result			N/A
Accumulated Operating Result			N/A
Workload (DLHs/Work Units)			
Investigations			131,265
Customer Rate			
Stabilized Rate			To Be Determined
Rate Change			N/A
Price/Unit Costs ($)			1,344
Civilian End Strength			2,359
Civilian Workyears (FTEs)			2,375
Military End Strength			N/A
Military Workyears			N/A
Capital Budget Authority ($ in millions)			1.9

DEFENSE SECURITY SERVICE
REVENUE AND EXPENSES
(Dollars in Millions)

	FY 1997	FY 1998	FY 1999
REVENUE:			
Gross Sales:			
Operations			176.400
Capital Surcharge			
Depreciation excluding Major Construction			
Major Construction Depreciation			
Other Income			
Refunds/Discounts (-)			
Total Income:			**176.400**
EXPENSES:			
Salaries and Wages:			
Military Personnel Compensation & Benefits			0.000
Civilian Personnel Compensation & Benefits			150.618
Training of Civilian Personnel			0.229
Travel and Trans of Personnel			2.701
Materials & Supplies (For Internal Operations) (ADP, Vehicle, Office, Misc)			1.425
Equipment			0.312
Other Purchases from Revolving Funds			
Transportation of Things			0.207
Depreciation - Capital			
Printing & Reproduction			0.032
Advisory and Assistance Services			1.500
Rent, Communication, Utilities & Misc. Charges (Includes Leases)			12.727
Minor Construction			0.093
Maintenance (ADP, Vehicle, Misc)			1.876
Other Purchased Services			4.680
Total Expenses			**176.400**
OPERATING RESULT:			**0.000**
Less Capital Surcharge Reservation			
Plus Appropriations Affecting NOR/AOR			
Other Changes Affecting NOR			
NET OPERATING RESULT:			**0.000**
Other Changes Affecting AOR			
ACCUMULATED OPERATING RESULT:			**0.000**

DSS DWCFund 14 Exhibit

DEFENSE SECURITY SERVICE
Business Area Analysis
Personnel Security Investigations (PSI)/National Industrial Security Program (NISP) Activity Group

In Millions

	FY97	FY98	FY99
1. New Orders:			
a. Orders from DoD Components:			
Operations and Maintenance			
Army			33.90
Air Force			30.00
Marines			30.30
Navy			4.60
DoD Agencies			74.20
NSA			3.40
b. Orders from other Fund Business Areas:			0.00
c. Total Department of Defense			176.40
d. Other Orders:			0.00
TOTAL NEW ORDERS			176.40
2. Carry-In Orders:			0.00
3. Total Gross Orders:			176.40
4. Funded Carry Over:			0.00
5. Total Gross Sales:			176.40

DSS DWCFund 11 Exhibit

Activity Group Capital Budget Summary
Defense Logistics Agency (DLA)
Supply Management Activity Group
February 1998
($ in Millions)

Line Number	Item Description	FY 1996		FY 1997		FY 1998		FY 1999	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT (Non ADP/T) Less Than or Equal To $0.5			9	1.5	4	0.9	4	1.3
REP 000	Replacement			1	0.1			2	0.5
PRD 000	Productivity			8	1.4	4	0.9	2	0.8
NEW 000	New Mission								
	EQUIPMENT (Non ADP/T) Greater Than $0.5			2	4.0	3	12.6	1	0.7
REP 100	Replacement							1	0.7
PRD 200	Productivity			2	4.0	3	12.6		
NEW 300	New Mission								
	TOTAL EQUIPMENT (Non ADP/T)			11	5.5	7	13.5	5	2.0
ADP 000	ADP/T EQUIPMENT Less Than or Equal to $0.5			12	3.4	8	3.9	12	4.0
ADP 100	ADP/T EQUIPMENT Greater Than $0.5			8	7.5	7	7.4	6	9.1
	TOTAL EQUIPMENT (ADP/T)			20	10.9	15	11.3	18	13.1
CDA 000	SOFTWARE DEVELOPMENT Less Than or Equal To $0.5				1.9				
CDA 200	SOFTWARE DEVELOPMENT Greater Than $0.5				6.9		33.2		41.3
	TOTAL SOFTWARE DEVELOPMENT				8.8		33.2		41.3
RPM 000	**MINOR CONSTRUCTION**				16.7		14.2		19.9
	TOTAL AGENCY CAPITAL INVESTMENTS			31	41.9	22	72.2	23	76.3

Capital Budget Execution
Defense Logistics Agency
Supply Management Activity Group
FY 1998
Deferrals/Cancellations/Substitutions

(Dollars in Millions)

ADP & TELCOM EQUIPMENT:		
Technical Infrastructure Equip (formerly Equip for AIS Support)	1.7	Projects reprioritized/rescoped.
SOFTWARE DEVELOPMENT:		
Supply Automated Material Management Sys (SAMMS)	0.8	Projects reprioritized/rescoped.
Other Supply Initiatives	-0.9	Projects reprioritized/rescoped.
Workflow Manager	-1.4	Infrastructure improvements
Web-based Software Development	-0.7	Infrastructure improvements
Supply Systems Modernization	-14.0	JLSC transfer
TOTAL FY 1998	**-14.5**	

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-01 Fuel Terminal Automation, Pearl Harbor (DFSC)							1	9,750.0	9,750			

Narrative Justification:

The Defense Fuel Supply Point (DFSP) Pearl Harbor, Hawaii is responsible for receiving, storing and delivering jet fuel, diesel fuel, and motor gasoline to the Services. This investment is required to ensure reliability of services offered by the DFSP, and to provide adequate central control/monitoring of fuel operations to improve efficiency, fuel accountability and safety in handling large quantities of hazardous fuel. Accurate metering and central control can be used to detect leaks on pipeline receipts and shipments. The DFSP Pearl Harbor has the capacity to store over 8 million barrels of petroleum products at the Upper Tank Farm and Red Hill Complex. These facilities include more than 41 tanks, with associated equipment, such as valves, pumps, and miles of pipelines without fail safe controls and without leak detection devices. In the absence of these instrumentations, recurring environmental monitoring projects to test the contamination for toxicity are costly and labor intensive. This investment will provide a centrally located control/monitoring system that will facilitate all fuel farm operations and fuel accounting processes. This system will provide automated metering locations (load arms, truck racks, risers) for product custody transfer, remote valve and pump control, bulk inventory monitoring, terminal management system for inventory reconciliation real-time and telephone modem capabilities to DFSC headquarters for inventory reporting. The goal of this project is to increase fuel terminal operational efficiency, provide real-time and fast response to changing terminal conditions that could result in hazardous spills, and to more efficiently manage fuel allocation and storage. Originally, this project was approved and programmed in the FY 1996 President's Budget but subsequently reprioritized to FY 1998. An economic analysis has been completed for this project with a savings to investment ratio of 2.77 and an estimated payback period of 3.5 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-02 VXI Based Automated Component Test System (DSCC)							1	750.0	750			

Narrative Justification:

The electronic testing laboratory at the Defense Supply Center Columbus has testing equipment limited in its ability to transfer data and instruction to the electronic equipment being tested. The proposed equipment would not only be able to perform a wider range of tests, but would also be able to store the test condition and results as well as do the analysis and provide reports.

The savings to investment ratio is 5.25 and discounted payback 1.50 years.

Activity Group Capital Investment Justification ($ in Thousands)												
A. Budget Submission FY 1999 Amended Budget Estimates												
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 1998				C. Line Number & Item Description PRD 200 Productivity Equipment > $500						D. Activity Identification		
Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-03 Distance Learning							1	2,100.0	2,100			

Narrative Justification:

The Defense Logistics Agency needs to make training available to the entire workforce within budget constraints. This requires a cost-effective and efficient Distance Learning capability to train geographically dispersed students, with reduced dependance on travel to centralized facilities. Distance Learning is the transfer of knowledge over long distances utilizing Video Teleconferencing technology. Phase I of the program, accomplished in FY 1997, included equipping nine sites to provide distance training. It is estimated that converting eight courses to Distance Learning format for eight years will produce a travel cost avoidance of approximately $4,650. The lost productivity time avoidance is estimated at $4,373. The total estimated avoidance is $9,023. The savings to investment ratio is 1.47, with a discounted payback of 1.70.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
ADP 100 < $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-01 ADPE <$500							8	489.4	3,915	12	329.9	3,959

Narrative Justification:

Local Area Network (LAN) upgrades or replacements are planned in FY 1998 ($2,215) and FY 1999 ($2,809) for Defense Industrial Supply Center (DISC) and Defense Personnel Support Center (DPSC), both at Philadelphia, Defense Supply Center Richmond (DSCR), Defense Supply Center Columbus (DSCC), and Defense Logistics Services Center, Battle Creek. The LANs will allow more efficient operation of the lower tier (personal computer) platforms and interfaces to existing automated systems. The estimated payback period is 2.1 years.

In addition to the above LAN projects, FY 1998 projects include: telecommunications upgrades ($919) at DSCR, a CD-ROM Library ($287) at DSCC, and commercial-off-the-shelf (COTS) software for Electronic Commercial Commerce ($494).

In addition to the above LAN projects, FY 1999 projects include:
- COTS for 21st Century Logistics ($250), a global combat support prototype application (as part of the DLA Logistics Research & Development (LogR&D) program) that will support version 4 of the Defense Information Infrastructure Common Operating Environment. It will be Internet-based, providing intranet capabilities for Department of Defense (DoD) personnel when dealing with the external DoD community including DLA's suppliers. Specifically, it performs logistics functions including requisition processing, acquisition, and payment without relying on existing contemporary systems. DLA intends to migrate the prototype to a production environment.
- COTS for Supply Readiness ($300), a readiness decision support application (as part of LogR&D) to support readiness planning and execution. The application will be used as DLA's ability to support various Materiel Readiness Command scenarios given its new business initiatives which include Prime Vendor, Vendor Managed Inventory Contracts, Stock Rotation Contracts, and Direct Vendor Delivery. The DLA

Activity Group Capital Investment Justification ($ in Thousands)		A. Budget Submission FY 1999 Amended Budget Estimates
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 1998	C. Line Number & Item Description ADP 100 <$500	D. Activity Identification

ADP 100-01 Narrative Justification (continued):

Integrated Consumables Item Support (ICIS) application will populate ICIS with virtual inventory marketplace data which will then be transmitted to readiness planning organizations. The application will also be used assess DLA's existing business arrangements to determine the appropriate mix of arrangements that will optimize DLA's readiness ability. DLA intends to migrate this application to a production environment.

The acquisition of a sophisticated mid-tier translator will significantly enhance DPSC's Electronic Data Interchange (EDI) support capabilities. Commercial EDI translator software incorporates powerful business tools such as a graphical user interface, Internet access, and a real-time document management system. The flexibility and power of this software will reduce the amount of time spent bringing trading partners on-line. The database capability allows for retrieval of crucial document information such as document status, date and time stamps and the generation of end-user reports while also providing archiving capability. The estimated return on investment is 7.0.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
ADP 100 > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-02 Equipment for FAS Support (DFSC)							3	484.0	1,452	1	1,000.0	1,000

Narrative Justification:

The Fuel Automated System (FAS) migratory program was initiated to evolve and modernize the DLA and Air Force Fuel Automated Management Systems to support the DoD fuels mission. This mission includes management and accountability for fuel stored at installations. The FAS program will field a multi-functional, fully integrated Automated Information System that supports increased fuel supply requirements directed by OSD. The equipment requirement for FY 1998 is for mid-tiers; FY 1999 is for Commercial-Off-The-Shelf software packages in support of the FAS program. The return on investment is 3.1.

Activity Group Capital Investment Justification ($ in Thousands)												A. Budget Submission FY 1999 Amended Budget Estimates
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 1998					C. Line Number & Item Description ADP 100 > $500							D. Activity Identification
Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-03 Technical Infrastructure Equipment							3	1,101.3	3,304	4	1,425.0	5,700

Narrative Justification:

The Defense Logistics Agency (DLA) is involved in multiple initiatives that will increase efficiencies within the Supply process; many of these require a mid-tier platform to consolidate and process the data. These initiatives will improve the overall supply business process while providing improved information for the decision process. Corporate Mid-tier Management is an initiative to purchase and consolidate mid-tiers at some DLA Supply and Service Centers to better manage the capacity of all mid-tiers. Additional, Corporate Mid-tier Management will provide the technical infrastructure compliant with the logistics community implementation of the Defense Information Infrastructure Common Operating Environment, Joint Technical Architecture, and Global Combat Support System.

Several system initiatives will supported through a single mid-tier rather than purchasing a mid-tier for each initiative. Some of these initiatives are: commercial-off-the-shelf software packages in support of Department of Defense Food Demonstration project, Electronic Catalog, Modernization of Defense Logistics Standard System, Weapons System Support Program, Electronic Folders, and DLA Preaward Contracting System.

The combined savings to investment ratio is 3.20.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
ADP 100 > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-04 Defense Message System							1	2,608.0	2,608	1	2,384.0	2,384

Narrative Justification:

The Defense Information Systems Agency (DISA) is the overall program manager for Defense Message System (DMS). DMS is a DoD directed program under the direction of OASD/C3I. The purpose of DMS is to eliminate the obsolete AUTODIN and Defense Data Network systems, establish common DoD-wide e-mail systems using GOSIP/X.400 protocols, phase out the obsolete Telecommunications Control Centers by replacing the aging equipment currently used, and preparing the DoD infrastructure for Integrated System Data Network implementation.

Failure to support this initiative will mean termination of much of DLA's current message communications support, as well as data pattern support. If such an event happened, DLA would have to contract with other DoD Components for basic communications center support, which will increase the amount of processing time for its standard logistics traffic by an estimated one to two days and which would be considered unacceptable by DLA's customers. In terms of data pattern traffic, DLA would be forced to return to card/tape processing for many of its automated information systems, which will significantly increase DLA's processing costs with DISA, as well as its Base Level Information Resources Management support costs.

The estimated payback period is 1.25 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
CDA 200 >$100

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-01 Federal Logistics Information System (DLSC)									951			7,365

Narrative Justification:

Federal Logistics Information System (FLIS) provides automated support to the Federal Catalog System and maintains the National Stock Number database. Software development changes to the FLIS will provide increased customer access to the information. Changes will support Consumable Item Transfer Phase II, DLA Federal Supply Class Realignment Project, Universal Product Code Cross-Reference, central contractor registry program management, Defense Logistics Services Center (DLSC) Imaging Program maintenance, item related data warehouse, and on-line Federal item identification guides among other projects. The funding requirement in FY 1999 is for development of FLIS in support of the Department of Defense cataloging centralization/consolidation mission which is now DLSC's responsibility.

The return on investment is 1.5.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 1998

C. Line Number & Item Description
CDA 200 >$100

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-02 Defense Integrated Subsistence Management System (DPSC)									1,988			6,212

Narrative Justification:

The Defense Integrated Subsistence Management System (DISMS) is a DLA-unique standard system which uses a relational database serving the Defense Personnel Support Center (DPSC) as well as thousands of individual customers, both military and non-DoD. This system supports the DoD Food Demonstration Program (subsistence prime vendor) which expands DISMS' functionality to unique Direct Vendor Delivery just-in-time applications heretofore managed from inventory. Additional enhancements are necessary to achieve essential Business Process Improvements and assure operating effectiveness worldwide. Applicable Process Change Requests describe asset management requirements that, when implemented, will provide users with an on-line, real-time capability to enter transactions, monitor requisition status, monitor and control point of issue, manage issue exceptions, control maximum release quantities, perform inventory accounting functions, and interface effectively with contracting and financial functions. The Modular Approach to DISMS and Standard Automated Materiel Management System will re-engineer common business functions found in both systems. Application software written to support common business functionality will be re-written into common modules used in both systems. This will allow for a reduction in the number of unique lines of code requiring maintenance and reduced cost for new development by recycling standard modules.

The return on investment is 5.46.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
CDA 200 >$100

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-03 Standard Automated Materiel Management System									3,878			7,005

Narrative Justification:

Standard Automated Materiel Management System (SAMMS) automated significant portions of the Supply Centers' requirements, distribution, stock fund financial management, technical and logistics services, and contracting operations. SAMMS is a highly integrated system whose functions are performed by five main subsystems: requirements, distribution, financial, technical, and contracting. Application software will provide numerous benefits not only to the Supply Centers but to DoD customers as well. These resources will support initiatives such as Modernization of Defense Logistics Standard Systems, Engineering Data Management Information Control System, Shared Data Environment, and Evaluated Receipt Settlement.

The return on investment is 4.36.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
CDA 200 >$100

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-04 Other Supply Initiatives									1,340			4,676

Narrative Justification:

DLA supports various Materiel Management Automated Information Systems (AIS) related initiatives which include DLA Preaward Contracting System (DPACS), Hazardous Materiel Information System (HMIS), Environmental Reporting Logistics System (ERLS), DLA Acquisition Planning System (DAPS), 21st Century Logistics, Supply Readiness, and Technical Platform.

DPACS is the current automated procurement system that issues solicitations and generates manual purchase orders. HMIS is a central repository of information on hazardous items/materials used in the DoD. HMIS contains Material Safety Data Sheets on hazardous items and maintains information on how to transport Department of Defense hazardous items/materials. ERLS assists in the annual reporting of releases and offsite transfers to the Environmental Protection Agency and local emergency planning committees of chemicals that are stored or used on DLA sites. DAPS is a system designed to ensure effective management for identifying, planning, and tracking of large purchase acquisitions. It helps to promote early identification/definition of acquisition requirements. Twenty-first Century will perform logistics functions such as requisition processing, acquisition, and payment without relying on existing contemporary systems. Supply Readiness will support various Materiel Readiness Command scenarios given its new business initiatives which include Prime Vendor, Vendor Managed Inventory contracts, Stock Rotation contracts, and Director Vendor Delivery. Technical Platform establishes a digital, paperless environment allowing direct access to all weapon systems logistics data engineering drawings, technical manuals, inventory management data, and procurement, financial weapons system data. It will reduce electronic processing costs through labor savings, simplify end user access to data, and develop interface with Standard Automated Materiel Management System legacy application.

The return on investment for DPACS is 5.0; HMIS 1.54; ERLS 1.66; 21st Century 6.0; Supply Readiness 30.0.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
CDA 200 >$100

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-05 Defense Medical Logistics Standard System (DPSC)									9,000			9,600

Narrative Justification:

The Defense Medical Logistics Standard System (DMLSS) is being deployed to support medical logistics business process improvements and a single medical logistics standard support Automated Information System (AIS) within the Military Health Service System. The Medical Directorate at the Defense Personnel Support Center (DPSC), Philadelphia, PA serves as the Defense Logistics Agency (DLA) Program Manager for the following subprograms: Prime Vendor and its Contract Compliance Management System, Electronic Commerce, Dedicated Truck, Medical Air Express, Commercial Product Classification Systems (CPCS), Mail Order Pharmacy and its Contract Compliance Management System, Medical Electronic Customer Assistance, Distribution and Price Agreement and Medical Systems Maintenance support. All programs are business practice changes with subsequent business process reengineering. AIS developments follow after the practices and processes are completed and clearly defined. In order to comply with a Congressional mandate for the establishment of a Mail Order Pharmacy, DoD must establish a program to facilitate prescription dispensing compliance and conduct trend analysis on dispensing practices.

This project will result in the use of state-of-the-art methods to lower delivery costs, enhance customer support, expand auditing and tracking of medical supply capabilities, establish a foundation to bridge and integrate current, interim and future systems (retail and wholesale), and complies with requirements to reduce supply systems costs.

The estimated return on investment is 10.0.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
CDA 200 >$100

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-06 Workflow Manager									1,350			1,300

Narrative Justification:

Workflow Manager allows users to move documents at electronic speeds and provides accountability for document location and individual performance. It provides critical capability to supply center personnel to be able to communicate with their counterparts within the Defense Logistics Agency and across the Department of Defense. Functional areas to be covered include Asset, Contract, Item, Supply, Finance and Personnel. Use of Workflow Manager will reduce errors and cost of communicating by using form overlays to view, print, or fax information without modifying the original document.

The estimated return on investment is 3.7.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
CDA 200 >$100

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-07 Web-Based Software Development									722			

Narrative Justification:

Web-based software development will allow for production hardening, migration, and implementation of leave-in-place prototypes developed under the Logistics Research and Development (LogR&D) program. The focus of the effort is to apply advanced technologies to provide higher levels of logistics support in peace and war. The first prototypes from LogR&D, to be fielded in FY 1998 and FY 1999, will be parts of Virtual Electronic Window (VIEW) and DLA Electronic Long Term Agreements (DELTA). VIEW will provide the Department of Defense and other Federal users access to an electronic catalog with capability to store, access, browse, and order commercial items electronically. It will also provide a search engine capable of searching for items based on price, National Stock Number, and/or description. DELTA will provide delivery order processing against traditional Indefinite Delivery Type Contracts and catalogs, as well as On-Demand Manufacturing contracts, and Prime Vendor and Virtual Prime Vendor type arrangements, with no human intervention.

The estimated return on investment is 30.0.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date	C. Line Number & Item Description	D. Activity Identification
Defense Logistics Agency Supply Management Activity Group February 1998	CDA 200 >$100	

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-09 Supply Systems Modernization (JLSC SAMMS)									14,000			1,400

Narrative Justification:

Funding will be utilized for modernization and conversion of legacy systems to achieve a seamless logistical system in a shared data environment with the Army, Navy/Marine, and Air Force. Legacy systems are those Automated Information Systems (AISs) currently operational, supporting overall Supply Management functions. The DoD Logistics corporate strategy is to bring existing legacy systems into a shared data environment. This environment has been identified by the Defense Information Systems Agency (DISA) as Defense Information Infrastructure (DII) and Common Operating Environment (COE) which is based on the Joint Technical Architecture (JTA).

Modernization and conversion of legacy systems will:
- Improve asset visibility and control
- Reduce information technology costs
- Increase data standardization and integrity
- Increase interoperability with other systems
- Support changes in business practices which foster electronic marketplace technology
- Provide the foundation for seamless information systems support to the warfighter

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
REP 000 Replacement Equipment < $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total REP 000 < $500										2	225.0	450

Narrative Justification:

Based on guidance contained in various Department of Defense (DoD) governing policies, the Defense Logistics Agency (DLA) has established replacement and life expectancy standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization, and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to unusual categories of equipment.

In FY 1999, projects include:

- A crawl tractor ($150) at Defense Supply Center Richmond (DSCR). The tractor being replaced is the only one of its kind at DSCR and is used to clear and grade grounds at DSCR and to move scrap material at Defense Reutilization and Marketing Office Richmond. Although it will be one year short of its expected life in FY 2000, it is already past its expected meter life. The manufacturer is no longer in business and parts are difficult to obtain. The savings to investment ratio is 0.02 and the discounted payback is 9.0 years.
- A pumper fire truck ($300) at DSCR. By FY 2000, the current pumper fire truck will be past its expected life and need replacing. The nearest non-post fire station is 12-16 minutes away from the post and the risk of life and property increases enormously with each minute of delay in fighting a fire. The savings to investment ratio is 1.72 and the discounted payback is 5.59 years.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
PRD 000 Productivity Equipment < $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total PRD 000 < $500							4	229.5	918	2	409.9	820

Narrative Justification:

The DLA Supply Centers have identified the following capital investment requirements for FY 1998 and FY 1999 that will provide productivity gains to the ongoing inventory management operations.

FY 1998 projects include:
- A power file system ($160) at Defense Supply Center Richmond (DSCR) to centrally store the contract and procurement documents. Buildings 31 and 32 are under renovation, including the installation of systems furniture workstations. Acquisition of the power file system will occupy less floor space than the current rotary files. The savings to investment ratio is 1.80 and the discounted payback is 4.27 years.
- A storage/retrieval system ($150) at DSCR. The current system of storing tools and parts is not capable of housing all the necessary parts, which results in additional downtime while awaiting delivery. The new system consists of high racks for an increase in storage locations and an overhead crane with a solid vertical mast. The savings to investment ratio is 1.96 and the discounted payback is 4.27 years.
- A bridge crane ($500) at the DSCR Industrial Preparedness Equipment (IPE) facility Mechanicsburg, PA, Building 505, that will be used to handle large, heavy industrial equipment being repaired at the IPE facility. This is the main crane that will be used to load and unload machinery from delivery vehicles and to maneuver between the various work centers. The existing cranes fail to meet applicable OSHA and the Navy Certification Program standards. The savings to investment ratio is 1.67 and the discounted payback is 5.03 years.
- A High Precision Laser Thread Measurement System ($108) at Defense Supply Center Columbus which is a computer controller, non-contact, precision measurement instrument for working thread plug gauges and externally threaded fasteners. It will be used with the Product Testing Center to expand and improve its thread measuring capabilities. Since it can be set up faster than the current equipment being used for testing, more testing can be done with the same personnel. The savings to investment ratio is 1.80 and the discounted payback is 4.66 years.

FY 1999 projects include:
- A power file system ($400) at DSCR. This system is part of the general renovation of several bays within Buildings 31, 32, and 33. They are fitted to match the planned systems furniture and will occupy 360 square feet fewer per section than the standard files being replaced, which translates into a one-time cost savings of $320. In addition, the new files provide a transaction time savings that translates into a savings of over $619 per year.
- A security system upgrade ($420) at DSCR for various buildings. Estimated payback period is 1.1 years.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 1998

C. Line Number & Item Description
REP 100 Replacement Equipment >$500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
REP 100-01 Crane System (DSCR)										1	700.0	700

Narrative Justification:

The existing 10-ton bridge cranes in Building 404 at the Industrial Preparedness Equipment (IPE) Mechanicsburg, PA facility do not meet current OSHA and Navy standards, and parts are not readily available. The cranes are supported by a cracked wooden structure, with laminated wood crane ways, that rests on piers shared with building structure members. The new crane system will include two 25-ton cranes and will be supported by new piers placed below the grade of the existing floor.

The savings to investment ratio is 1.48 and the discounted payback is 6.36 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 1998

C. Line Number & Item Description
CDA 200 >$100

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-08 Technical Infrastructure												3,384

Narrative Justification:

The Defense Logistics Agency (DLA) is involved in multiple initiatives that will increase efficiencies within the supply process. These initiatives will improve the overall supply business process while providing improved information for the decision process. Additionally, these initiatives will provide the technical infrastructure compliant with the logistics community implementation of the Defense Information Infrastructure Common Operating Environment, Joint Technical Architecture, and Global Combat Support System. They will aid DLA in establishing a flexible and agile information infrastructure by moving our systems from a flat file batch process to an online relational database with real-time transactions, and promote interoperability via access to data independent of its location. They will standardize data as well as establish data administration rules (Shared Data Environment implementation), and provide a three-tier architecture migration and database conversions.

The estimated return on investment is 3.0.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission	B. Component/Activity Group/Date	C. Line Number & Item Description	D. Activity Identification
FY 1999 Amended Budget Estimates	Defense Logistics Agency Supply Management Activity Group February 1998	CDA 200 >$100	

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-10 DESEX												400

Narrative Justification:
The Defense Emergency Supply Expert System (DESEX) provides DOD supply management with a system which enables field customers to conduct Supply transactions in an interactive environment, utilizing a telephone inquiry system for tracking and ordering inventory. The system is currently operational at 19 sites spanning the military services and DLA. Program Management of the DESEX is currently transitioning from Joint Logistics Service Command (JLSC) to DLA management. Intial funding for this upgrade is reflected in the JLSC budget. FY99 funding will support final testing and deployment of the system. Follow on costs in out years will support update capabilities, enhancements and additional sites.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 1998

C. Line Number & Item Description
RPM 000 Minor Construction

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction												
Non-Fuels									2,000			1,100
Fuels									12,200			18,800
Total Minor Construction									14,200			19,900

Narrative Justification:

The minor construction investment, for projects between $100,000 and $500,000 each, will construct new or modify existing facilities for mission and operational improvements. The projects consist of:

(1) Upgrading fire protection and alarm systems.
(2) Upgrading utility distribution systems (especially water and electrical).
(3) Additional paving for road networks and organizational and personnel parking.
(4) Renovation of administrative facilities and restrooms.
(5) Upgrading fuel distribution, oil/water separators and tank monitoring systems (Fuels only).
(6) Construction of fuel laboratories (Fuels only).

Additional minor construction requirements are for incidental improvements associated with facilities repair projects; and for Fuels, projects associated with the transfer of funding responsibility for Service Defense Fuel Supply Points. These investments will result in cost effective facilities to support the mission and upgrade storage, distribution and dispensing facilities to ensure compliance with all fire, safety and environmental regulations.

Capital Budget Execution
Defense Logistics Agency
Supply Management Activity Group
FY 1997
FY 1999 Budget Estimates
(DOLLARS IN MILLIONS)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1997	Equipment except ADPE & TELCOM:	2.1	7.6	5.5	2.1	
	Replacement <$500K	1.8	2.0	0.1	1.8	Projects repriced/recategorized
	Productivity <$500K	(0.4)	1.0	1.4	(0.4)	Projects repriced/recategorized
	Fuel Terminal Automation - Norfolk (DFSC)	0.0	2.5	2.5	0.0	
	Fire Truck (DSCC)	0.6	0.6	0.0	0.6	Project reprioritized
	Distance Learning (DASC)	0.0	1.5	1.5	0.0	
1997	Equipment - ADPE & TELCOM:	4.4	15.3	10.9	4.4	
	Technical Infrastructure Equip (formerly Equip for AIS Suppor	2.9	8.3	5.4	2.9	Projects reprioritized
	Equipment for Fuel Automated Sys (FAS) Support	0.0	0.9	0.9	0.0	
	Base Level Support	0.7	2.6	1.9	0.7	Projects reprioritized
	Defense Message System	1.8	1.9	0.1	1.8	Project rescoped
	Firewalls	0.0	0.8	0.8	0.0	
	Software Improvement	0.0	0.7	0.7	0.0	
	Training Application	(1.0)	0.0	1.0	(1.0)	Emergent requirement
1997	Software Development:	(4.5)	4.3	8.8	(4.5)	
	Fuel Automated System (FAS)	0.0	1.6	1.6	0.0	
	Federal Logistics Information System (FLIS)	0.6	1.8	1.2	0.6	Projects reprioritized
	Compliance Assistance Program (CAP)	0.1	0.1	0.0	0.1	Cancelled
	DBMS System Changes	0.0	0.2	0.2	0.0	
	SPEDE	0.3	0.3	0.0	0.3	Project rescoped
	Other Supply Initiatives	(4.9)	0.4	5.2	(4.9)	Projects reprioritized
	Environmental Reporting Logistics System	(0.5)	0.0	0.5	(0.5)	Project rescoped
	Logistics Information Network	(0.1)	0.0	0.1	(0.1)	Emergent requirement
1997	Minor Construction:	(1.3)	15.4	16.7	(1.3)	Projects reprioritized
	Total FY 1997	**0.7**	**42.6**	**41.9**	**0.7**	

Capital Budget Execution
Defense Logistics Agency
Supply Management Activity Group
FY 1998
FY 1999 Budget Estimates
(DOLLARS IN MILLIONS)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1998	Equipment except ADPE & TELCOM:	0.0	13.5	13.5	0.0	
	Productivity <$500K	0.0	0.9	0.9	0.0	
	Fuel Terminal Automation - Pearl Harbor (DFSC)	0.0	9.8	9.8	0.0	
	VXI Automated Component Test Sys (DSCC)	0.0	0.8	0.8	0.0	
	Distance Learning (DASC)	0.0	2.1	2.1	0.0	
1998	Equipment - ADPE & TELCOM:	1.7	13.0	11.3	1.7	
	Technical Infrastructure Equip (formerly Equip for AIS Suppor	1.7	5.0	3.3	1.7	Projects reprioritized/rescoped
	Equipment for Fuel Automated Sys (FAS) Support	0.0	1.5	1.5	0.0	
	Base Level Support	0.0	3.9	3.9	0.0	
	Defense Message System	0.0	2.6	2.6	0.0	
1998	Software Development:	(16.2)	17.0	33.2	(16.2)	
	Federal Logistics Information System (FLIS)	0.0	1.0	1.0	0.0	
	Defense Integrated Subsistence Mgmt Sys (DISMS)	0.0	2.0	2.0	0.0	
	Supply Automated Material Management Sys (SAMMS)	0.8	4.7	3.9	0.8	Projects reprioritized/rescoped
	Other Supply Initiatives	(0.9)	0.4	1.3	(0.9)	Projects reprioritized/rescoped
	Defense Medical Logistics Standard Sys (DMLSS)	0.0	9.0	9.0	0.0	
	Workflow Manager	(1.4)	0.0	1.4	(1.4)	Infrastructure improvements
	Web-based Software Development	(0.7)	0.0	0.7	(0.7)	Infrastructure improvements
	Supply Systems Modernization	(14.0)	0.0	14.0	(14.0)	JLSC transfer
1998	Minor Construction:	0.0	14.2	14.2	0.0	
	Total FY 1998	**(14.5)**	**57.8**	**72.2**	**(14.5)**	

Capital Budget Execution
Defense Logistics Agency
Supply Management Activity Group
FY 1999
FY 1999 Budget Estimates
(DOLLARS IN MILLIONS)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1999	Equipment except ADPE & TELCOM:	5.0	7.0	2.0	5.0	
	Replacement <$500K	(0.0)	0.4	0.5	(0.0)	Projects repriced
	Productivity <$500K	(0.8)	0.0	0.8	(0.8)	Projects reprioritized
	Fuel Terminal Automation - Searsport (DFSC)	6.0	6.0	0.0	6.0	Deferred beyond FY 2005
	Fire Truck (DSCR)	0.6	0.6	0.0	0.6	Reprioritized
	Crane System, Bldg 404 (DSCR)	(0.7)	0.0	0.7	(0.7)	New requirement
1999	Equipment - ADPE & TELCOM:	(2.1)	10.9	13.0	(2.1)	
	Technical Infrastructure Equip (formerly Equip for AIS Suppor	(1.0)	4.7	5.7	(1.0)	Infrastructure improvements
	Equipment for Fuel Automated Sys (FAS) Support	0.0	1.0	1.0	0.0	
	Base Level Support	(1.0)	2.9	4.0	(1.0)	Infrastructure improvements
	Defense Message System	(0.1)	2.3	2.4	(0.1)	Project repriced
1999	Software Development:	(23.4)	17.9	41.3	(23.4)	
	Federal Logistics Information System (FLIS)	(6.5)	0.9	7.4	(6.5)	Project rescoped
	Defense Integrated Subsistence Mgmt Sys (DISMS)	(2.5)	3.8	6.2	(2.5)	Project rescoped
	Supply Automated Material Management Sys (SAMMS)	(3.5)	3.5	7.0	(3.5)	Project rescoped
	Other Supply Initiatives	(3.8)	0.9	4.7	(3.8)	Infrastructure improvements
	Defense Medical Logistics Standard Sys (DMLSS)	(0.7)	8.9	9.6	(0.7)	Project rescoped
	Workflow Manager	(1.3)	0.0	1.3	(1.3)	Infrastructure improvements
	Technical Infrastructure	(3.4)	0.0	3.4	(3.4)	Infrastructure improvements
	Supply Systems Modernization	(1.4)	0.0	1.4	(1.4)	JLSC transfer
	DESEX	(0.4)	0.0	0.4	(0.4)	JLSC transfer
1999	Minor Construction:	(5.3)	14.6	19.9	(5.3)	Infrastructure improvements
	Total FY 1999	**(25.8)**	**50.5**	**76.3**	**(25.8)**	

Activity Group Capital Budget Summary
Defense Logistics Agency (DLA)
Distribution Activity Group
February 1998
($ in Millions)

Line Number	Item Description	FY 1996		FY 1997		FY 1998		FY 1999	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT (Non ADP/T) Less Than or Equal To $0.5			15	2.3	19	4.5	15	3.0
REP 000	Replacement			4	0.9	12	3.0	6	1.1
PRD 000	Productivity			11	1.4	7	1.5	9	1.9
NEW 000	New Mission								
	EQUIPMENT (Non ADP/T) Greater Than $0.5			7	19.5	9	23.0	8	20.5
REP 100	Replacement			2	8.1	1	1.1		
PRD 200	Productivity			5	11.4	8	21.9	8	20.5
NEW 300	New Mission								
	TOTAL EQUIPMENT (Non ADP/T)			**22**	**21.8**	**28**	**27.5**	**23**	**23.5**
ADP 000	ADP/T EQUIPMENT Less Than or Equal to $0.5			2	0.9				
ADP 100	ADP/T EQUIPMENT Greater Than $0.5			11	23.9	19	15.3	20	5.6
	TOTAL EQUIPMENT (ADP/T)			**13**	**24.8**	**19**	**15.3**	**20**	**5.6**
CDA 000	SOFTWARE DEVELOPMENT Less Than or Equal To $0.5				0.1				
CDA 200	SOFTWARE DEVELOPMENT Greater Than $0.5				12.7		14.1		6.7
	TOTAL SOFTWARE DEVELOPMENT				**12.8**		**14.1**		**6.7**
RPM 000	**MINOR CONSTRUCTION**				**7.8**		**7.7**		**6.9**
	TOTAL AGENCY CAPITAL INVESTMENTS			**35**	**67.2**	**47**	**64.6**	**43**	**42.7**

Capital Budget Execution
Defense Logistics Agency
Distribution Activity Group
FY 1998
Deferrals/Cancellations/Substitutions
(Dollars in Millions)

EQUIPMENT EXCEPT ADP & TELCOM:		
Replacement <$500K	-$1.5	Projects reprioritized/repriced.
Productivity <$500K	0.3	Projects reprioritized/repriced.
DEPMEDS Mechanization Phase 1 (DDHU)	2.8	Deferred to FY 1999
General Purpose Warehouse Storage System (DDJC-T)	2.4	Deferred to FY 2000
Narrow Aisle Pallet Rack (DDRV)	1.7	Cancelled
Intradepot Transportation System-N Island (DDDC)	1.5	Repriced & deferred to FY 1999
Storage/Mezzanine System (DDCT)	0.8	Cancelled
Narrow Aisle Pallet Racks, Bldg Y108 (DDNV)	1.3	Rescoped & deferred to FY 1999
Upgrade Miniload, Bldg W-143 (DDNV)	2.9	Deferred to FY 2000
Receiving Refurbishment (DDDC)	-1.1	Deferred from FY 1997
Gas Cylinder Reconditioning & Storage	-1.1	Deferred from FY 1997
Pallet Packing & Shipping mat'l Handling Project (DDJC)	-5.7	Deferred from FY 1997
ADP & TELCOM EQUIPMENT:		
RF and Site Unique Equipment for DSS	-1.8	Emergent facilities upgrades
SOFTWARE DEVELOPMENT		
Distribution Standard System	-1.9	Additional contract support
TOTAL FY 1998	**0.5**	

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
REP 000 Replacement Equipment < $ 500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total REP < $500							12	253.3	3,040	6	178.5	1,071

Narrative Justification:

These investments for forklifts, cranes, trucks and miscellaneous warehouse equipment are required to replace existing items with similar characteristics that have reached or significantly exceeded the useful life established for these categories. Based on guidance contained in various Department of Defense (DoD) governing policies, the Defense Logistics Agency (DLA) has established replacement and life expectancy standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization, and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to unusual categories of equipment.

FY 1998 projects include: a trailer spotter truck ($150) at Distribution Depot Europe, three crawler tractors ($725), a forklift ($225) and two wheeled tractors ($450) at Anniston, a receiving upgrade ($500) at Hill, a refuse truck ($150) at Susquehanna, a straddle truck ($200) at Norfolk, a truck mounted crane ($480) at Cherry Point, and an automatic guided vehicle upgrade ($160) at San Diego.

FY 1999 projects include: a roll-on/off refuse truck ($150) and front end loader ($120) at Susquehanna, a forklift container handler ($276) at Anniston, a straddle carrier ($225) at Norfolk, a trailer spotter truck ($150) at Distribution Depot Europe, and an overhead maintenance vehicle ($150) at San Joaquin.

The Return On Investment on these projects ranges from 0.50 to 11.70 years.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 000 Productivity Equipment < $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total PRD 000 < $500							7	206.6	1,446	9	210.0	1,890

Narrative Justification:

FY 1998 projects include: a shredder ($125) at San Joaquin, Tracy site, and pumper fire truck ($250) at Sharpe site; equipment upgrade ($181) for the Consolidation Containerization Point at Susquehanna; a truck mounted crane ($480) at Barstow; a front end loader ($115) and crawl crane ($170) at Tobyhanna; and a hammermill ($125) at Puget Sound.

FY 1999 projects include: equipment for the bulk active item area ($218) at Susquehanna, a mechanized packing system ($385) at Albany, GA, three transporter trucks ($339) at Norfolk, a receiving conveyor upgrade for warehouse 159 ($487) at Cherry Point, a bridge crane ($151) at Warner-Robins, a telescoping maintenance platform ($106) at San Joaquin, and a carton making machine ($204) at Oklahoma.

The Return On Investment on these projects ranges from 0.34 to 4.01 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-01 General Purpose Warehouse Storage System (DDDC)							1	2,500.0	2,500			

Narrative Justification:

Currently, Distribution Depot San Diego storage facilities are fully occupied with large quantities of material stored outside. This storage arrangement adds costs attributable to additional preservation and material handling requirements. This project will provide high density storage systems and conveyance systems for an FY 1997 Military Construction project.

The savings to investment ratio is 1.61 and the economic discounted payback is 4.43 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-02 Bulk Storage System, Bldg V-147, Phase II (DDNV)							1	3,813.0	3,813			

Narrative Justification:

The Norfolk 2000 Plan calls for Distribution Depot Norfolk to obtain Building V-147 in exchange for vacating 20 buildings. Building V-147 is a newly renovated aircraft maintenance, 125,000 square foot facility which has 39 foot clear stack height. In FY 1997, half of the building was equipped with racks and equipment. This project will install equipment in the rest of the facility. A mechanization system which provides a maximum reduction in life cycle cost will be installed.

The savings to investment ratio is 3.66 and the economic discounted payback is 2.93 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-03 Consolidation Containerization Point (CCP) Mechanization (DDJC)							1	1,830.0	1,830			

Narrative Justification:

As a result of DoD base closures, workload is being shifted to Distribution Depot San Joaquin, Sharpe site. To accommodate the new workload in the Western Distribution Center (WDC), Building 330, the existing Consolidation Containerization Point operation is moving from the WDC to Building 508 (Warehouse B4), which is currently empty and scheduled for renovation in FY 1998. This project provides the material handling equipment/systems for the renovated building, since the existing equipment in Building 330 is needed for the increased WDC workload. Installation of the new material handling equipment will lower handling costs, reduce facility space requirements, and decrease processing times.

The savings to investment ratio is 4.19 and the economic discounted payback is 1.86 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-04 High Density Bin Storage, Bldg 16 (DDJC)							1	5,000.0	5,000			

Narrative Justification:

This project is one of several initiated to maximize occupation of existing covered storage cube at Distribution Depot San Joaquin to accommodate growth in the National Stock Numbers being stored at the depot and Base Realignment and Closure relocations. It will enable the higher demand items to be stored together in close proximity to the operational hub. This alternative will consist of replacing existing bins with a two level walk and pick with conveyors and manual pick carts, high density storage, coupled with manual selection process, providing optimum resource utilization for storage and/or issuance of high demand material.

The savings to investment ratio is 2.0 and the economic discounted payback is 4.59 years.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-05 Transporter Docks (DDNV)							1	615.0	615			

Narrative Justification:

Currently, none of the Distribution Depot Norfolk warehouses have transporter docks. Stock/freight crosshaul from the warehouses to the ships and inter-warehouse is done by tug/bomb flats and straddle trucks, which is labor intensive and exposes the stock to the weather and security risks. DLA policy dictates conversion to the use of transporter trucks and equipping each warehouse with a transporter dock to optimize productivity and minimize labor.

The savings to investment ratio is 13.16 and the economic discounted payback is 0.66 years.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-06 Receiving Upgrade, Bldg W-143 (DDNV)							1	1,345.0	1,345			

Narrative Justification:

This is the second phase of an approved FY 1997 project to replace a 25 year old system at Distribution Depot Norfolk that is experiencing excessive downtime because the conveyors constantly jam. The new system is a total replacement that includes ergonomic workstations, in-line banding systems and a new control system.

The savings to investment ratio is 3.14 and the economic discounted payback is 2.91 years.

Activity Group Capital Investment Justification ($ in Thousands)	A. Budget Submission FY 1999 Amended Budget Estimates
B. Component/Activity Group/Date Defense Logistics Agency Distribution Activity Group February 1998	C. Line Number & Item Description REP 100 Replacement Equipment >$500	D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
REP 100-01 Receiving Refurbishment (DDDC)							1	1,100.0	1,100			

Narrative Justification:

The Distribution Depot San Diego (DDDC) Receipt Processing and Induction operation uses early technology in the weighing/cubing devices of the current system, which are not reliable and for which repair parts are extremely hard to obtain. To maintain the current system, the maintenance shop will need to start cannibalizing existing units to keep the rest of the devices operating. To ensure that there is no loss of current workload level, additional manhours will have to be expended for the Receipt Processing and Induction operation. This project will provide upgraded mechanization and controls that require minimal maintenance, decreased processing time, modernization of current operations and increased productivity.

The savings to investment ratio is 1.54 and the payback is 5.03 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-07 Gas Cylinder Reconditioning and Storage (DDRV)							1	1,100.0	1,100			

Narrative Justification:

The Distribution Depot Richmond (DDRV) has been assigned the mission of receiving and storing Ozone Depleting Substances (ODS) from Department of Defense field locations throughout the United States and overseas locations. This function is currently performed in warehouse 64 at DDRV and involves the reclamation and reconditioning of approximately 20,000 cylinders per year. To accomplish this, DDRV utilizes a manually controlled conveyor system for the sandblast and painting operations. The hydrostatic cylinder test stations located at DDRV utilize water in the test procedure which flows into a drainage system after the cylinders have been tested. The proposed ODS gas cylinder reconditioning and storage system will consist of a mechanized conveyor system which will interface with the sandblasting machine, paint booth system, and hydrostatic cylinder test stations. The hydrostatic cylinder test stations will have a water recovery system to reutilize the water used in the testing procedure. An FY 1997 Military Construction (MILCON) project will provide facilities.

An economic analysis has been completed for this project and estimates a payback period of 1.85 years. Estimated annual savings of $0.9 million is also associated with the implementation of the ODS gas cylinder reconditioning and storage system at DDRV. This project was approved in the FY 1996 President's Budget but subsequently deferred due to delays in the MILCON project.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-08 Pallet Packing and Shipping Material Handling Project (DDJC)							1	5,700.0	5,700			

Narrative Justification:

Distribution Depot San Joaquin (DDJC) has been designated as the primary issuing and storage site for the Defense Logistics Agency's western region. The pallet conveyor system and associated workstation equipment currently used in the DDJC Tracy facility pallet and processing area were installed in 1980/1988 and will need replacement/refurbishment in order to meet future operational requirements.

This project provides the material handling equipment/systems to replace and/or refurbish the existing pallet packing and shipping processing area pallet conveyor system and associated workstation equipment. Installation of the new material handling equipment will lower costs, reduce facility space requirements and decrease packing and shipment processing times.

The anticipated savings to investment ratio is 1.67 and the economic discounted payback is 4.54 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-09 EDC Rack Addition (DDSP)										1	4,929.0	4,929

Narrative Justification:

The Eastern Distribution Center (EDC), Building 2001, at Distribution Depot Susquehanna is an automated distribution facility. This project provides a mechanized rack storage system for an FY 1998 Military Construction project to construct an addition to the EDC. Collectively, these projects streamline supply operations and help accommodate an increase in workload resulting from depot consolidations and closings. The only alternative to adding the rack section is to build a new General Purpose Warehouse, which is comparatively uneconomical.

The savings to investment ratio is 1.94 and the economic discounted payback is 2.0 years.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Distribution Activity Group February 1998

C. Line Number & Item Description PRD 200 Productivity Equipment >$500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-10 General Purpose Warehouse Equipment, Bldg Y108A (DDNV)										1	5,466.0	5,466

Narrative Justification:

An FY 1998 Military Construction (MILCON) project at Distribution Depot Norfolk will demolish three buildings and construct one 180,000 square foot general purpose warehouse for nonperishable bulk items and a freight terminal. This project will provide the high-rise, narrow aisle pallet rack and pallet conveyor system for the new building. The projected workload is 78,000 lines per year received and 91,000 lines per year issued for the storage portion. The workload for the freight terminal portion of the facility is estimated to be 260,000 transshipments and 214,300 bulk issues. Without this equipment project, the MILCON project cannot be used effectively.

The anticipated savings to investment ratio is 4.06 and the economic discounted payback is 2.68 years.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-12 Central Preservation and Pack, Bldg 595 (DDRT)										1	3,600.0	3,600

Narrative Justification:

This project, a Mechanized Preservation and Packaging System will consolidate the majority of dispersed operations currently being performed at Distribution Depot Red River in five buildings, into a single location in 595. The consolidation will facilitate centralized management/staffing, and assist in minimizing any potential environmental considerations associated with cleaning and preservation activities.

The savings to investment ratio is 3.28 and the economic discounted payback is 1.71 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-11 Intradepot Transportation System (DDDC)										1	1,033.0	1,033

Narrative Justification:

This Distribution Depot San Diego (DDDC) project provides for the installation of intradepot transporter vehicles with conveyor truck beds and conveyor dock floats at all warehouse locations (seven at the Naval Station, eight at North Island) to permit transporter dock access to all the warehouses. It will enable DDDC to more efficiently move pallet loads of material within the Naval Station Complex and the North Island Facility. Intradepot transportation of material will utilize transporters eliminating the current practice of using the expensive straddle trucks; the straddle trucks will only be used for movement of material from the piers.

The savings to investment ratio is 5.77 and the economic discounted payback is 1.48 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-13 Security System (DDJF)										1	658.0	658

Narrative Justification:

This project will reduce the number of guards at Distribution Depot Jacksonville while improving the physical security. It will provide a mix of existing security systems and add new cameras, monitors, video recorders, two-way speaker systems, intrusion detection systems, card key readers, and automatic personnel and vehicle gates. Monitoring of the access points for all buildings would be controlled at a single location.

The savings to investment ratio is 3.66 and the economic discounted payback is 2.41 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-14 Consolidation of Weapons Handling (DDAA)										1	1,610.0	1,610

Narrative Justification:

This project consolidates the weapons receiving, shipping, demilitarization, packaging and storing into Building 360 at Distribution Depot Anniston from the present 10 warehouses and provides a mechanized method of moving weapons. The consolidation will result in a reduction of weapons movement tracking, clerks, supervisors and warehousemen, and eliminate three full-time trucks and their drivers.

The savings to investment ratio is 3.85 and the economic discounted payback is 2.45 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-15 Narrow Aisle Pallet Racks, Bldg 104/106 (DDNV)										1	851.0	851

Narrative Justification:

High dollar, oversized aircraft repair parts are to be transferred to warehouse 104/106 at Distribution Depot Norfolk as part of the Norfolk 2000 plan. The current storage forces stacking the parts three and four high in bulk storage, which makes the parts susceptible to damage. The proposed cantilever racks will be 25 feet high with 6 storage levels equipped with decking to separate the parts and prevent damage.

The savings to investment ratio is 4.03 and the economic discounted payback is 2.25 years.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
PRD 200 Productivity Equipment > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PRD 200-16 High Density Bin Storage System, Bldg 330 (DDJC)										1	2,400.0	2,400

Narrative Justification:

Stock positioning initiatives and base closures will result in additional small parcel items being stored at Distribution Depot San Joaquin, Sharpe facility. In order to meet the increasing mission requirements, it will be necessary to install high density bin storage in the immediate vicinity of the existing two-level bin storage system. This project will increase productivity, reduce material handling costs and improve system maintainability/reliability. It will expand the current two-level walk and pick area to accommodate continuing and projected redistribution/storage of material to meet the regulatory requirement of 85 percent occupancy.

The savings to investment ratio is 4.59 and the economic discounted payback is 1.87 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
ADP 100 > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-01 Base Level Support							15	573.5	8,603	20	280.2	5,604

Narrative Justification:

The current DLA Distribution Depot system consists of the Distribution Depot Center (DDC) located at New Cumberland, Pennsylvania and 24 individual depots reporting to the DDC. Many of the depots do not have a Local Area Network (LAN) that will support the administrative functions as well as the distribution functions required. DLA plans to upgrade the current services ($3,092 in FY 1998 and $1,800 in FY 1999) in order to improve existing network performance and increase connectivity depot-wide, thus improving communication, data sharing and mission performance. Payback: 5.0 years.

DDC will add Integrated System Data Network capability to the existing telephone switch to improve communications traffic in FY 1998 ($1,950) and FY 1999 ($1,170), both within the installation and to customers. This project will also enhance LAN and processing performance. Payback: 4.5 years.

In FY 1998, Distribution Depot San Joaquin (DDJC) will upgrade the radio systems ($2,850) at the Sharpe and Tracy sites. These systems have exceeded their useful life by five years and experience frequent breakdowns. The new system will upgrade existing fire, safety, and security capability, thus providing a central dispatch for radio transmission at those sites. Payback: 5.0 years.

In FY 1998, DDJC will replace the three Xerox 4050 laser printers ($711) it uses at the Tracy site in support of their output requirements for Distribution Standard System (DSS), Base Operations Support System and Defense Business Management System. The current print volume on these printers, which are old and in constant need of repair exceeds the manufacturer recommendations. Payback: 1.0 year.

In FY 1999, DDJC's cable plant expansion project ($500) will provide additional cable pairs to improve telephone and data lines from the telephone switch station in Building 100 to Warehouse 16, which is the main warehouse at the Tracy site supporting both operations and administrative functions. Payback: 2.1 years.

In FY 1999, replacement equipment (controllers, text printers and bar code scanners) ($2,134) primarily in support of DSS will occur for the depots where DSS was deployed during FY 1995 and FY 1996. Payback: 1.5 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Distribution Activity Group February 1998

C. Line Number & Item Description
ADP 100 > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>ADP 100-02</u> RF and Site Unique Equipment for DSS							4	1,683.3	6,733			

Narrative Justification:

OSD has designated DLA as the Systems Development Organization for the distribution activity group. The Distribution Standard System (DSS) is a Major Automated System and will support the complete modernization of the DLA depots. Radio Frequency (RF) equipment allows remote communication between DSS and the actual picking/stowing of depot stock; bar code readers eliminate the need to manually key in stock information, and remote printers accept transmitted pick requests from DSS and print the pick tickets for depot shipment. This real-time input and output of data for the various warehouse functions reduce error rates through a reduction of keystrokes. This automation also allows for selected warehouse functions to become paperless. Site unique equipment consists of the ADPE needed to run DSS at each depot site, such as modems, controllers, printers, scanners, and protocol converters. It excludes mainframe support equipment in Defense Information Systems Agency megacenters. Expected benefits in the DSS economic analysis are estimated to be over $400 million with a return on investment of 5.3 and an estimated payback of 2.8 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
CDA 200 > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-01 Distribution Standard System (DSS)									14,072			6,673

Narrative Justification:

As part of Defense Management Review Decision 902, Consolidation of Distribution Depots, DLA was named the Systems Development Organization for the distribution activity group. As such, DLA is responsible for developing an automated system to support all facets of depot operations. The Distribution Standard System (DSS) was selected in January 1992. The system is planned for full deployment by fourth quarter FY 1998, along with limited development to support depot unique modules to the standard system, and productivity changes for the depots.

As the system is deployed, radio frequency applications are incorporated into depot operations. This increased functionality reduces the manual intervention required to identify stock locations, generate pick tickets, and update and process inventory records.

The plan is for DSS to deploy at those locations operating the old DLA distribution system first (completed), then the Army (completed), then Air Force (started July 1997), then the Navy and Marine Corps, for a total of 21 sites. DLA will maintain the legacy systems in a standard manner until deployment of DSS, at which time the legacy systems will be retired. Expected benefits in the DSS functional economic analysis are estimated to be over $300 million, with a return on investment of 3.1 and estimated payback of 3.2 years.

DSS capital investments in FY 1998 include systems development (CDA) $8.8 million and systems development (commercial) $5.3 million; in FY 1999, systems development (CDA) $6.7 million.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Distribution Activity Group February 1998

C. Line Number & Item Description
RPM 000 Minor Construction

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction (DDRE/DDRW)									7,700			6,900

Narrative Justification:

The minor construction investment for projects between $100 and $500 each will construct new or modify existing facilities for mission and operational improvements. These projects consist of:

1. Upgrading fire protection and alarm systems
2. Upgrading utility distribution systems (especially water and electrical)
3. Additional paving for open storage, road networks and organizational and personnel parking
4. Upgrading facilities to accommodate mission stocks repositioning
5. Renovation of administrative and storage facilities

Additional minor construction requirements are for incidental improvements associated with facilities repair projects. These investments will result in cost effective facilities to support the mission.

Capital Budget Execution
Defense Logistics Agency
Distribution Activity Group
FY 1997
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1997	Equipment except ADPE & TELCOM:	8.4	30.3	21.8	8.4	
	Replacement <$500K	3.7	4.7	0.9	3.7	Projects reprioritized/repriced
	Productivity <$500K	(0.2)	1.1	1.3	(0.2)	Projects reprioritized/repriced
	New Mission <$500K	0.1	0.1	0.0	0.1	Project reprioritized/repriced
	Receiving Upgrade Warehouse 143 (DDNV)	(0.3)	2.0	2.4	(0.3)	
	EDC Active Item Expansion (DDSP)	0.1	0.7	0.6	0.1	
	Distribution Operations Complex, Phase II (DDRT)	(2.3)	5.3	7.5	(2.3)	Project rescoped
	Bulk Storage System, Bldg V-147, Phase I (DDNV)	0.1	4.4	4.3	0.1	
	Receiving Refurbishment (DDDC)	1.1	1.1	0.0	1.1	Deferred to FY 1998
	Truck, Fire Pumper, Aerial Platform (DDSP)	0.0	0.6	0.6	0.0	
	General Purpose Warehouse Mechanization (DDNV)	0.1	2.0	1.9	0.1	Project repriced
	General Purpose Warehouse Storage System (DDJC)	0.2	2.5	2.3	0.2	Project repriced
	Pallet Packing & Shipping Material Handling (DDJC)	5.7	5.7	0.0	5.7	Deferred to FY 1998
1997	Equipment - ADPE & TELCOM:	(5.0)	19.7	24.8	(5.0)	
	RF and Site Unique Equipment	(4.3)	17.2	21.5	(4.3)	Emergent facilities upgrades
	Base Level Support	(0.8)	2.5	3.3	(0.8)	Projects reprioritized/repriced
1997	Software Development:	1.4	14.2	12.8	1.4	
	Distribution Standard System	0.0	10.8	10.8	0.0	
	Other Distribution Initiatives	0.7	2.6	1.9	0.7	Project rescoped
	Facilities/EMACS	0.2	0.3	0.1	0.2	Project rescoped
	DIS (Legacy) Development	0.5	0.5	0.0	0.5	Cancelled
1997	Minor Construction	0.8	8.6	7.8	0.8	
	Total FY 1997	**5.6**	**72.8**	**67.2**	**5.6**	

Capital Budget Execution
Defense Logistics Agency
Distribution Activity Group
FY 1998
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1998	Equipment except ADPE & TELCOM:	4.2	31.7	27.5	4.2	
	Replacement <$500K	(1.5)	1.5	3.0	(1.5)	Projects reprioritized/repriced
	Productivity <$500K	0.3	1.8	1.4	0.3	Projects reprioritized/repriced
	DEPMEDS Mechanization Phase 1 (DDHU)	2.8	2.8	0.0	2.8	Deferred to FY 1999
	General Purpose Warehouse Storage System (DDDC)	0.0	2.5	2.5	0.0	
	Bulk Storage System, Bldg V-147 (DDNV)	0.0	3.8	3.8	0.0	
	CCP Mechanization (DDJC-S)	0.0	1.8	1.8	0.0	
	General Purpose Warehouse Storage System (DDJC-T	2.4	2.4	0.0	2.4	Deferred to FY 2000
	Narrow Aisle Pallet Rack (DDRV)	1.7	1.7	0.0	1.7	Cancelled
	High Density Bin Storage Bldg 16 (DDJC) (Ph1 in FY96	0.0	5.0	5.0	0.0	
	Intradepot Transportation System-N Island (DDDC)	1.5	1.5	0.0	1.5	Repriced & deferred to FY 1999
	Storage/Mezzanine System (DDCT)	0.8	0.8	0.0	0.8	Cancelled
	Transporter Docks (DDNV)	0.0	0.6	0.6	0.0	
	Narrow Aisle Pallet Racks, Bldg Y108 (DDNV)	1.3	1.3	0.0	1.3	Rescoped & deferred to FY 1999
	Upgrade Miniload, Bldg W-143 (DDNV)	2.9	2.9	0.0	2.9	Deferred to FY 2000
	Receiving Upgrade, Bldg W-143 (DDNV)	0.0	1.3	1.3	0.0	
	Receiving Refurbishment (DDDC)	(1.1)	0.0	1.1	(1.1)	Deferred from FY 1997
	Gas Cylinder Reconditioning & Storage (DDRV)	(1.1)	0.0	1.1	(1.1)	Deferred from FY 1997
	Pallet Packing & Shipping Mat'l Handling Project (DDJ	(5.7)	0.0	5.7	(5.7)	Deferred from FY 1997
1998	Equipment - ADPE & TELCOM:	(1.8)	13.5	15.3	(1.8)	
	Base Level Support	0.0	8.6	8.6	0.0	
	RF & Site Unique Equipment for DSS	(1.8)	4.9	6.7	(1.8)	Emergent facilities upgrades
1998	Software Development:	(1.9)	12.2	14.1	(1.9)	
	Distribution Standard System	(1.9)	12.2	14.1	(1.9)	Additional contractor support
1998	Minor Construction	0.0	7.7	7.7	0.0	
	Total FY 1998	**0.5**	**65.1**	**64.6**	**0.5**	

Capital Budget Execution
Defense Logistics Agency
Distribution Activity Group
FY 1999
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1999	Equipment except ADPE & TELCOM:	6.7	30.2	23.5	6.7	
	Replacement <$500K	(0.0)	1.0	1.1	(0.0)	Projects reprioritized/repriced
	Productivity <$500K	(1.2)	0.7	1.9	(1.2)	Projects reprioritized/repriced
	Tote Conveyor, Bldg W-143 (DDNV)	1.8	1.8	0.0	1.8	Cancelled
	Power & Free System, Bldg 362 (DDAA)	2.7	2.7	0.0	2.7	Cancelled
	EDC Rack Addition (DDSP)	0.0	4.9	4.9	0.0	
	General Purpose Warehouse Equipment Y108A (DDNV	(0.6)	4.9	5.5	(0.6)	Project rescoped
	Central Preservation & Pack, Bldg 595 (DDRT)	0.0	3.6	3.6	0.0	
	Narrow Aisle Pallet Racks, Bldg 3 (DDSP)	1.4	1.4	0.0	1.4	Cancelled
	Narrow Aisle Pallet Racks, Bldg 5 (DDTP)	1.1	1.1	0.0	1.1	Deferred to FY 2000
	Hybrid Vehicle System Upgrade (DDJC-S)	1.0	1.0	0.0	1.0	Rescoped & deferred to FY 2001
	MS/RM Refurbishment, Bldg 3304 (DDDC)	1.4	1.4	0.0	1.4	Deferred to FY 2001
	DEPMEDS Paint Spray Booth (DDHU)	0.6	0.6	0.0	0.6	Project rescoped
	PPP&P System Upgrade, Bldg 506 (DDOO)	2.6	2.6	0.0	2.6	Deferred to FY 2000
	Rack Storage, Bldg 366 (DDWG)	2.5	2.5	0.0	2.5	Cancelled
	Intradepot Transportation System-North Island (DDDC)	(1.0)	0.0	1.0	(1.0)	Repriced & deferred from FY 1998
	Security System (DDJF)	(0.7)	0.0	0.7	(0.7)	New requirement
	Consolidation of Weapons Handling (DDAA)	(1.6)	0.0	1.6	(1.6)	New requirement
	Narrow Aisle Pallet Racks, Bldg 104/106 (DDNV)	(0.9)	0.0	0.9	(0.9)	New requirement
	High Density Bin Storage, Bldg 330 (DDJC)	(2.4)	0.0	2.4	(2.4)	New requirement
1999	Equipment - ADPE & TELCOM:	(1.3)	4.3	5.6	(1.3)	
	Base Level Support	(1.4)	4.2	5.6	(1.4)	Projects reprioritized
	RF & Site Unique Equipment for DSS	0.1	0.1	0.0	0.1	Accelerated deployment
1999	Software Development:	0.0	6.7	6.7	0.0	
	Distribution Standard System	0.0	6.7	6.7	0.0	
1999	Minor Construction	0.0	6.9	6.9	0.0	
	Total FY 1999	**5.4**	**48.1**	**42.7**	**5.4**	

Activity Group Capital Budget Summary
Defense Logistics Agency (DLA)
Defense Reutilization and Marketing Service (DRMS) Activity Group
February 1998
($ in Millions)

Line Number	Item Description	FY 1996		FY 1997		FY 1998		FY 1999	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT (Non ADP/T) Less Than or Equal To $0.5			3	1.1	8	1.6	11	1.7
REP 000	Replacement			2	0.7	6	1.1	11	1.7
PRD 000	Productivity			1	0.4				
NEW 000	New Mission					2	0.5		
	EQUIPMENT (Non ADP/T) Greater Than $0.5								
REP 100	Replacement								
PRD 200	Productivity								
NEW 300	New Mission								
	TOTAL EQUIPMENT (Non ADP/T)			**3**	**1.1**	**8**	**1.6**	**11**	**1.7**
ADP 000	ADP/T EQUIPMENT Less Than or Equal to $0.5					1	0.1		
ADP 100	ADP/T EQUIPMENT Greater Than $0.5			1	1.6	1	1.2		
	TOTAL EQUIPMENT (ADP/T)			**1**	**1.6**	**2**	**1.3**		
CDA 000	SOFTWARE DEVELOPMENT Less Than or Equal To $0.5								
CDA 200	SOFTWARE DEVELOPMENT Greater Than $0.5				2.1		5.6		4.4
	TOTAL SOFTWARE DEVELOPMENT				**2.1**		**5.6**		**4.4**
RPM 000	**MINOR CONSTRUCTION**				**7.7**		**8.0**		**8.0**
	TOTAL AGENCY CAPITAL INVESTMENTS			**4**	**12.5**	**10**	**16.5**	**11**	**14.1**

Capital Budget Execution
Defense Logistics Agency
Defense Reutilization and Marketing Service (DRMS) Activity Group
FY 1998
Deferrals/Cancellations/Substitutions
(Dollars in Millions)

EQUIPMENT EXCEPT ADP/T:		
Replacement<$500K	0.6	Projects repriced.
MINOR CONSTRUCTION:	2.4	Infrastructure reductions
TOTAL FY 1998	**3.0**	

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Reutilization & Marketing Service Activity Group February 1998

C. Line Number & Item Description
REP 000 Replacement Equipment < $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total REP 000 < $500							6	186.7	1,120	11	158.6	1,745

Narrative Justification:

The following investments are required to replace existing items with similar characteristics that have reached or significantly exceeded the useful life established for these categories.

Front end loaders are the essential tool for all Defense Reutilization and Marketing Offices (DRMOs). They are used daily to load and unload scrap materials, separate the recyclable materials, and for snow removal. Those being replaced (four in FY 1998, and eight in FY 1999) have been in operation beyond their useful life. The average savings to investment ratio is 1.12 and the average discounted payback is 5.50.

In 1984, Yumbo scrap handlers were bought for DRMOs at Kaiserslautern, Nuremberg, and Cherry Point. Since then the company has gone out of business, so replacement parts are difficult to obtain and the equipment is idle for approximately 3 months each time a part has to be ordered. Two scrap handlers are planned for replacement in FY 1998, and three in FY 1999. The savings to investment ratio is 1.10 and the discounted payback is 5.29.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Reutilization & Marketing Service Activity Group February 1998

C. Line Number & Item Description
NEW 000 New Mission Equipment < $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total NEW 000 < $500							2	240.0	480			

Narrative Justification:

The Defense Reutilization and Marketing Office (DRMO) Huntsville now receives items that are heavier than the lifting capacity of the existing 2-6K forklifts. The host was unable to provide a crane for lifting of the heavy objects and leasing is prohibitively expensive. The availability of a crane increases proceeds from the sale of scrap by $10 per ton, since the buyers would not have to supply the crane needed for loading. It would also increase the pool of buyers thus increasing competition and the proceeds. The savings to investment ratio is 1.67 and the discounted payback is 5.64 years.

The DRMO Richmond administrative and operational areas are being relocated to another building as part of its host activity's FY 1998 Military Construction project to refurbish and expand the current facilities in support of their new ozone depleting substances cylinder refurbishment mission. This investment will provide portable workstations, tri-wall dumper/tilter, portable ladders, pallet trucks, location numbering system, digital floor scale and relocation of existing equipment and pallet racks. The equipment will be needed to make the facility usable. The discounted payback is 2.77 years.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Reutilization & Marketing Service Activity Group February 1998

C. Line Number & Item Description
ADP 100 > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-01 Base Level Support							1	150.0	150			

Narrative Justification:

In FY 1998, the Defense Reutilization and Marketing Service (DRMS) plans to purchase a digital video camera that will allow pictures of excess/surplus material to be loaded onto the World Wide Web, thus increasing reutilization and sales of excess DoD material.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Reutilization & Marketing Service Activity Group February 1998

C. Line Number & Item Description
ADP 100 > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-02 Equipment for DAISY Mod Support							1	1,150.0	1,150			

Narrative Justification:

To support the development of the Defense Reutilization and Marketing Automated Information System Modernization (DAISY Mod) in an open systems architecture environment, Oracle software will be acquired. This software will operate on the existing technical platform and be in compliance with DoD technical architecture. DAISY Mod is a replacement of the current system, DAISY. DAISY Mod will provide major enhancements through improved communications with customers via electronic commerce, increased access to required data, elimination of dual entry of data, and the application of Expert System/Artificial Intelligence capabilities. Mid-tier purchases are also planned to support the replacement of obsolete equipment that has become uneconomical to maintain. DAISY Mod has a projected savings to investment ratio of 2.8.

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Reutilization & Marketing Service Activity Group February 1998

C. Line Number & Item Description
CDA 200 > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-01 DAISY Mod									5,570			4,397

Narrative Justification:

The Defense Reutilization and Marketing Automated Information System Modernization (DAISY Mod) is an overall system upgrade/replacement to the existing DAISY. DAISY Mod will provide major enhancements to the existing system through improved communications with customers via electronic data interchange, increased access to required data, elimination of dual entry of data and the application of Expert Systems/Artificial Intelligence capabilities. DAISY Mod has a savings to investment ratio of 2.8.

DAISY Mod will be developed in increments. Recycle Control Point (RCP) will allow excess wholesale and retail property to remain in the distribution depots versus physically transferring to a Defense Reutilization and Marketing Office. Hazardous Property Management will apply state-of-the-art technology to the hazardous waste disposal management function.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Reutilization & Marketing Service Activity Group February 1998

C. Line Number & Item Description
RPM 000 Minor Construction

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction									8,000			8,000

Narrative Justification:

The minor construction investment for projects between $100,000 and $500,000 each, will construct new or modify existing facilities for mission and operational improvements. These projects consist of:

(1) Renovation of administrative facilities and restrooms.

(2) Mission operational facilities such as scrap bins, truck scales, paving open storage and new warehouses.

(3) Fencing, drainage and road improvements.

Additional minor construction requirements are for incidental improvements associated with facilities repair projects. These investments will result in cost effective facilities to support the mission.

Capital Budget Execution
Defense Logistics Agency
Reutilization and Marketing Services Activity Group
FY 1997
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1997	Equipment except ADPE & TELCOM:	0.2	1.2	1.1	0.2	
	Replacement <$500K	(0.1)	0.6	0.7	(0.1)	Projects repriced
	Productivity <$500K	0.3	0.7	0.4	0.3	Projects repriced
1997	Equipment - ADPE & TELCOM:	0.0	1.6	1.6	0.0	
	Equipment for DAISY Mod	0.0	1.6	1.6	0.0	
1997	Software Development:	(0.1)	2.0	2.1	(0.1)	
	DAISY Mod	(0.1)	2.0	2.1	(0.1)	Project rescoped
1997	Minor Construction:	2.3	10.0	7.7	2.3	Infrastructure reductions
	Total FY 1997	**2.3**	**14.8**	**12.5**	**2.3**	

Capital Budget Execution
Defense Logistics Agency
Reutilization and Marketing Services Activity Group
FY 1998
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1998	Equipment except ADPE & TELCOM:	0.6	2.2	1.6	0.6	
	Replacement <$500K	0.6	1.7	1.1	0.6	Projects repriced
	New Mission <$500K	0.0	0.5	0.5	0.0	
1998	Equipment - ADPE & TELCOM:	0.0	1.3	1.3	0.0	
	Base Level Support	0.0	0.2	0.2	0.0	
	Equipment for DAISY Mod	0.0	1.2	1.2	0.0	
1998	Software Development:	0.0	5.6	5.6	0.0	
	DAISY Mod	0.0	5.6	5.6	0.0	
1998	Minor Construction:	2.4	10.4	8.0	2.4	Infrastructure reductions
	Total FY 1998	**3.0**	**19.4**	**16.5**	**3.0**	

Capital Budget Execution
Defense Logistics Agency
Reutilization and Marketing Services Activity Group
FY 1999
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1999	Equipment except ADPE & TELCOM:	0.5	2.3	1.7	0.5	
	Replacement <$500K	0.5	2.3	1.7	0.5	Projects reprioritized
1999	Equipment - ADPE & TELCOM:	0.5	0.5	0.0	0.5	
	Base Level Support	0.5	0.5	0.0	0.5	Projects reprioritized
1999	Software Development:	(0.1)	4.3	4.4	(0.1)	
	DAISY Mod	(0.1)	4.3	4.4	(0.1)	Project repriced
1999	Minor Construction:	2.6	10.6	8.0	2.6	Infrastructure reductions
	Total FY 1999	**3.5**	**17.7**	**14.1**	**3.5**	

Activity Group Capital Budget Summary
Defense Logistics Agency (DLA)
Information Services Activity Group
February 1998
($ in Millions)

Line Number	Item Description	FY 1996		FY 1997		FY 1998		FY 1999	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT (Non ADP/T) Less Than or Equal To $0.5								
REP 000	Replacement								
PRD 000	Productivity								
NEW 000	New Mission								
	EQUIPMENT (Non ADP/T) Greater Than $0.5								
REP 100	Replacement								
PRD 200	Productivity								
NEW 300	New Mission								
	TOTAL EQUIPMENT (Non ADP/T)								
ADP 000	ADP/T EQUIPMENT Less Than or Equal to $0.5			1	0.2	1	0.1	1	0.1
ADP 100	ADP/T EQUIPMENT Greater Than $0.5			3	3.7	3	4.4	1	2.5
	TOTAL EQUIPMENT (ADP/T)			**4**	**3.9**	**4**	**4.5**	**2**	**2.6**
CDA 000	SOFTWARE DEVELOPMENT Less Than or Equal To $0.5								
CDA 200	SOFTWARE DEVELOPMENT Greater Than $0.5				1.9		0.4		
	TOTAL SOFTWARE DEVELOPMENT				**1.9**		**0.4**		
RPM 000	**MINOR CONSTRUCTION**								
	TOTAL AGENCY CAPITAL INVESTMENTS			**4**	**5.8**	**4**	**4.9**	**2**	**2.6**

Capital Budget Execution
Defense Logistics Agency
Information Services Activity Group
FY 1998
Deferrals/Cancellations/Substitutions
(Dollars in Millions)

ADP & TELCOM EQUIPMENT:		
DAASC Upgrades	$1.1	Reprogrammed for contractor support
DSDC Test Bed	2.8	Functional transfer
SOFTWARE DEVELOPMENT:		
DAASC Upgrades	-0.4	Reprogrammed for contractor support
TOTAL FY 1998	**3.5**	

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Information Services Activity Group February 1998

C. Line Number & Item Description
ADP 100 < $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-01 ADPE <$500							1	105.0	105	1	105.0	105

Narrative Justification:

The Enterprise Management concept within the DLA Systems Design Center (DSDC) is required for DSDC as the Agency's technology standards and capacity management specialists to facilitate the gradual implementation of best practices into distributed systems management decisions (i.e., the mid-tier or client/server type applications) within DLA.

Investment consists of acquisition of commercial off-the-shelf software for remote operations on lower- and mid-tier platforms for DSDC sites. This will be capable of automatically alerting and providing online assistance to troubleshooters, resulting in decreased downtime of DSDC associates as well as DSDC end users.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Information Services Activity Group February 1998

C. Line Number & Item Description
ADP 100 > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-02 DAASC Upgrades							1	870.0	870			

Narrative Justification:

The Defense Automatic Addressing System Center (DAASC) is the central logistics transaction processing point for the Military Services and Defense Agencies, appointed to serve as a focal point in supporting the statistical analysis needs under the Logistics Response Time (LRT) initiative. This initiative will identify trends and causes of bottlenecks in processing requisitions and other logistics data traffic directly impacting military readiness. The Logistics Information Processing System central processing unit is running upwards of 80 percent utilization with customer response times of 1 to 2 seconds. The industry norm is 60 percent utilization to keep customer response times in the subsecond category. Workload has also increased over the past year by approximately 20 percent to include shipping transactions never before handled by the system.

The DAASC alternate site IBM platform (central processing unit (CPU) and operating system software) has not been upgraded since 1985 (except for a CPU acquired off of the excess list in 1993). By not upgrading this platform, extra effort is required in ensuring the software developed by the DAASC programmers can process in Dayton and will correctly operate at DAASC, Tracy. The current software and hardware technology complex in Tracy does not allow DAASC to take advantage of many state-of-the-art processing capabilities that DLA has in DAASC, Dayton. Additionally, this hardware will suffer more outages as it ages and will cost more dollars to repair.

The alternate site will need a facilities upgrade to include computer room air conditioning (to replace existing central air conditioning) and two power distribution units. This equipment will be less costly to operate and maintain, provide more redundancy, and require less operational support.

The estimated payback period for this investment is 0.56 years.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency Information Services Activity Group February 1998

C. Line Number & Item Description
ADP 100 > $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-03 Capability Maturity Model Level III							2	1,750.0	3,500	1	2,500.0	2,500

Narrative Justification:

The DLA Systems Design Center (DSDC) has a goal of becoming a Software Engineering Institute Capability Maturity Model Level III (CMM III) organization (move to capability of having a fully documented and repeatable software maintenance and design process across the entire design organization) by the latter part of FY 1998. Results include reduced cycle time to develop/document project, better control statistics (on cost/schedule/performance) from which DSDC program managers can better manage the cost side of their software efforts, and less rework. Achieving level III will involve implementing various software process improvements: Process/Project Management Toolset (PPMT); Configuration Management System (CMS); and Computer-Aided Software Engineering (CASE) Tools. In order to attain level III, contractor support will be required to develop and implement the following capabilities: a) extension of tracking of process/projects to all DSDC organizations; b) implementation of an automated system to collect and prepare billing invoices to Defense Finance and Accounting Service for work performed for customers; c) implementation of hotline/warmline problems during operations contained in the Problem Trouble Reports and ADP Work Request tracking processes reporting; d) implementation of a module/system to record results and look at trends within the software testing processes contained in the Problem Trouble Reports Repository; and e) implementation of customer integration/satisfaction data repository. PPMT will provide performance tracking, hardware/software components, maintenance support and vendor technical support. CMS will house both the software development files for each product as well as the supporting tools and procedures necessary to facilitate orderly development, and be available to customers, testers, and all developers in ways corresponding to their needs. CASE Tools is a standard set of both high level systems analysis and design workbench type tools. These tools will be used by project and product line managers as well as the software developers to facilitate process and development cycle time reductions and self-document projects.

	FY 1998	FY 1999
Configuration Management System	$1,000	
Computer-Aided Software Engineering Tools	2,500	$2,500
Total	$3,500	$2,500

Activity Group Capital Investment Justification

($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Information Services Activity Group February 1998

C. Line Number & Item Description
CDA 200< $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CDA 200-01 DAASC Upgrades									400			

Narrative Justification:

The Department of Defense (DoD) directed the Defense Automatic Addressing System Center (DAASC) to provide the capability for translating Defense Logistics Management System (DLMS) 2.0 Electronic Data Interchange (EDI)/American National Standards Institute (ANSI) X12 transaction sets to the Defense Logistics Standard Systems (DLSS) military standard 80-character documents and vice versa (DLSS to DLMS), as necessary. DAASC is the designated Central Design Activity for providing a central gateway capability to perform this translation. The DLMS transaction format will permit more flexible transmission of electronic logistics data within DoD and enable direct interchange of EDI documents with DoD's private sector vendors/contractors. All client agencies will be able to exchange data regardless of the format and transmission network.

Capital Budget Execution
Defense Logistics Agency
Information Services Activity Group
FY 1997
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1997	Equipment - ADPE & TELCOM:	2.6	6.4	3.9	2.6	
	Enterprise Management	(0.0)	0.2	0.2	(0.0)	
	DAASC Upgrades	0.6	2.3	1.7	0.6	Project rescoped
	Capability Maturity Model Level III	1.9	3.9	2.0	1.9	Reprogrammed for contractor support
1997	Software Development	(1.9)	0.0	1.9	(1.9)	
	Capability Maturity Model Level III	(1.9)	0.0	1.9	(1.9)	Reprogrammed for contractor support
	Total FY 1997	**0.7**	**6.4**	**5.8**	**0.7**	

Capital Budget Execution
Defense Logistics Agency
Information Services Activity Group
FY 1998
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1998	Equipment - ADPE & TELCOM:	3.9	8.4	4.5	3.9	
	Enterprise Management	0.0	0.1	0.1	0.0	
	DAASC Upgrades	1.1	2.0	0.9	1.1	Reprogrammed for contractor support
	Capability Maturity Model Level III	0.0	3.5	3.5	0.0	
	DSDC Test Bed	2.8	2.8	0.0	2.8	Functional transfer
1998	Software Development:	(0.4)	0.0	0.4	(0.4)	
	DAASC Upgrades	(0.4)	0.0	0.4	(0.4)	Reprogrammed for contractor support
	Total FY 1998	**3.5**	**8.4**	**4.9**	**3.5**	

Capital Budget Execution
Defense Logistics Agency
Information Services Activity Group
FY 1999
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1999	Equipment - ADPE & TELCOM:	3.0	5.6	2.6	3.0	
	Enterprise Management	0.0	0.1	0.1	0.0	
	DAASC Upgrades	0.4	0.4	0.0	0.4	Rescoped
	Capability Maturity Model Level III	0.0	2.5	2.5	0.0	
	DSDC Test Bed	2.6	2.6	0.0	2.6	Functional transfer
1999	Software Development:	0.0	0.0	0.0	0.0	
	DAASC Upgrades	0.0	0.0	0.0	0.0	
	Total FY 1999	**3.0**	**5.6**	**2.6**	**3.0**	

Activity Group Capital Budget Summary
Defense Logistics Agency (DLA)
Defense Automated Printing Service Activity Group
February 1998
($ in Millions)

Line Number	Item Description	FY 1996		FY 1997		FY 1998		FY 1999	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT (Non ADP/T) Less Than or Equal To $0.5			26	5.6	17	3.1	10	2.7
REP 000	Replacement								
PRD 000	Productivity			26	5.6	17	3.1	10	2.7
NEW 000	New Mission								
	EQUIPMENT (Non ADP/T) Greater Than $0.5								
REP 100	Replacement								
PRD 200	Productivity								
NEW 300	New Mission								
	TOTAL EQUIPMENT (Non ADP/T)			**26**	**5.6**	**17**	**3.1**	**10**	**2.7**
ADP 000	ADP/T EQUIPMENT Less Than or Equal to $0.5					20	5.3	16	5.9
ADP 100	ADP/T EQUIPMENT Greater Than $0.5								
	TOTAL EQUIPMENT (ADP/T)					**20**	**5.3**	**16**	**5.9**
CDA 000	SOFTWARE DEVELOPMENT Less Than or Equal To $0.5								
CDA 200	SOFTWARE DEVELOPMENT Greater Than $0.5								
	TOTAL SOFTWARE DEVELOPMENT								
RPM 000	**MINOR CONSTRUCTION**				**1.1**		**0.7**		**0.7**
	TOTAL AGENCY CAPITAL INVESTMENTS			**26**	**6.7**	**37**	**9.1**	**26**	**9.3**

Capital Budget Execution
Defense Logistics Agency
Defense Automated Printing Service Activity Group
FY 1998
Deferrals/Cancellations/Substitutions
(Dollars in Millions)

EQUIPMENT EXCEPT ADP & TELCOM:		
Productivity <$500K	5.3	Projects re-categorized
ADP AND TELCOM EQUIPMENT:		
ADPE <$500K	-5.3	Projects re-categorized
TOTAL FY 1998	**0.0**	

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Defense Automated Printing Service Activity Group February 1998

C. Line Number & Item Description
PRD 000 Productivity Equipment < $500

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total PRD 000 < $500							17	182.4	3,100	10	272.3	2,723

Narrative Justification:

Production equipment is required to replace worn out or obsolete equipment currently in use in the Defense Automated Printing Service (DAPS) components, implement print-on-demand, and document management and conversion initiatives. Replacement equipment is selected to increase operational productivity and efficiency and provide state-of-the-art service to DAPS customers.

Activity Group Capital Investment Justification ($ in Thousands)												
A. Budget Submission FY 1999 Amended Budget Estimates												
B. Component/Activity Group/Date Defense Logistics Agency Defense Automated Printing Service Activity Group February 1998				C. Line Number & Item Description ADP 100<$500						D. Activity Identification		
Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-01 ADPE <$500							20	265.0	5,300	16	367.3	5,877

Narrative Justification:

Production equipment is required to replace worn out or obsolete equipment currently in use in Defense Automated Printing Service (DAPS) components, implement print-on-demand, and document management and conversion initiatives. Replacement equipment is selected to increase operational productivity and efficiency and provide state-of-the-art service to DAPS customers. The new equipment will specifically provide increased production speeds and improved printer resolutions; electronic storage of data; reproduction from multiple sources (paper, floppy disk, network, modem); other technological improvements and labor saving capabilities.

Activity Group Capital Investment Justification
($ in Thousands)

A. Budget Submission
FY 1999 Amended
Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Defense Automated Printing Service Activity Group February 1998

C. Line Number & Item Description
RPM 000 Minor Construction

D. Activity Identification

Element of Cost	FY 1996			FY 1997			FY 1998			FY 1999		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction									700			700

Narrative Justification:

The minor construction investment, for projects between $100,000 and $500,000 each, represents numerous projects at the various Defense Automated Printing Service (DAPS) facilities/sites. Projects are required to bring facilities up to safety standards and improve the quality of life for those employees working in these sites. Additionally, site alterations are required to accommodate space requirements of specific DAPS facilities. DAPS projects include reconfiguring plant and office layouts, providing increased security, improving heating/ventilation/cooling and other projects that improve efficiency/productivity and quality of life.

Capital Budget Execution
Defense Logistics Agency
Defense Automated Printing Service
FY 1997
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1997	Equipment except ADPE & TELCOM:	2.2	7.8	5.6	2.2	
	Productivity <$500K	2.2	7.8	5.6	2.2	Projects cancelled
1997	Minor Construction:	(0.5)	0.6	1.1	(0.5)	Projects reprioritized
	Total FY 1997	**1.7**	**8.4**	**6.7**	**1.7**	

Capital Budget Execution
Defense Logistics Agency
Defense Automated Printing Service
FY 1998
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1998	Equipment except ADPE & TELCOM:	5.3	8.4	3.1	5.3	
	Productivity <$500K	5.3	8.4	3.1	5.3	Projects re-categorized
1998	Equipment - ADPE & TELCOM:	(5.3)	0.0	5.3	(5.3)	
	ADPE <$500K	(5.3)	0.0	5.3	(5.3)	Projects re-categorized
1998	Minor Construction:	0.0	0.7	0.7	0.0	
	Total FY 1998	**0.0**	**9.1**	**9.1**	**0.0**	

Capital Budget Execution
Defense Logistics Agency
Defense Automated Printing Service
FY 1999
FY 1999 Budget Estimates
(Dollars in Millions)

PROJECTS ON THE FY 1998 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
1999	Equipment except ADPE & TELCOM:	5.9	8.6	2.7	5.9	
	Productivity <$500K	5.9	8.6	2.7	5.9	Projects re-categorized
1999	Equipment - ADPE & TELCOM:	(5.9)	0.0	5.9	(5.9)	
	ADPE <$500K	(5.9)	0.0	5.9	(5.9)	Projects re-categorized
1999	Minor Construction:	0.0	0.7	0.7	0.0	
	Total FY 1999	**0.0**	**9.3**	**9.3**	**0.0**	

Defense Finance and Accounting Service
Budget Activity: Financial Operations
FY 1999 President's Budget

Realignments to the FY 1998 President's Budget
DFAS Capital Budget

	Dollars in Thousands FY 1998		
	Pres Bud	**Revised**	**Delta**
Equipment - ADPE & Telecom	39,645	23,650	-15,995

The decrease of $15,995,000 is due to a significant rescoping of the Defense Message Service initiative and a rephasing/rescoping of ADPE support for Consolidation and the Electronic Document Management Programs, based on the Quadrennial Defense Review.

	Dollars in Thousands FY 1998		
	Pres Bud	**Revised**	**Delta**
Minor Construction	550	1,053	+503

Projects in support of consolidation of the Personnel Support Offices and to refurbish a facility at OPLOC Lexington, Kentucky have been added to the FY 1998 budget.

In the software development/modernization area, there are the following changes:

1. Defense Working Capital Funds Accounting Systems Migration Strategy

	Dollars in Thousands FY 1998		
	Pres Bud	**Revised**	**Delta**
Auto Time & Attendance Prod Sys	2,311	2,682	+371
Defense Ind Financial Mgt Sys	17,000	16,900	-100
Standard Ind Fund Sys	2,478	3,325	+ 847
Mat Fin Control Sys	4,800	5,950	+1,150
Standard Mat Acctg Sys	4,600	6,850	+2,250
Defense Int Subsistence Sys	3,500	4,025	+525
Standard Auto Mat Mgt Sys	3,500	4,576	+1,076
Base Opns Supply Sys	500	1,700	+1,200
Fuels Auto Sys	800	2,000	+1,200
Commodity Command Standard Sys	2,060	2,740	+680
Std Army Fin Inv Acctg & rep Sys	2,613	3,418	+805
Ind Fund Acctg Sys	2,000	1,900	-100
Defense Business Mgt Sys	9,900	6,600	-3,300
Defense Working Capital Acctg Sys	5,800	6,900	+1,100
Changes - DWCF Acctg Systems	61,682	69,566	+7,704

The increase in the Standard Material Accounting System reflects changes to the system driven by a change in Air Force strategy for the logistics business area to support the Global Combat Support System. Changes to other systems show funding realignments needed to migrate to a standard, integrated architecture.

2. General Accounting Systems Migration Strategy

	Dollars in Thousands FY 1998		
	Pres Bud	**Revised**	**Delta**
Central Proc Acctg Sys	383	747	+364
Gen Acctg & Fin Sys	1,509	2,309	+800
Stand O&M Army R&D Sys	3,100	1,100	-2,000
Stand Acctg & Rep Sys	11,650	15,226	+3,576
Stand Acctg Bud & Rep Sys	700	700	+3,500
Defense Cash Accountability Sys	0	2,528	+2,528
Defense Dep Rep Sys	0	3,239	+3,239
Changes - General Acctg Sys	17,342	25,849	+12,007

The Defense Cash Accountability System and Defense Departmental Reporting System are new initiatives to standardize these functions for DoD and eliminate multiple non-standard systems currently being used. Increases to the Standard Accounting and Reporting System (STARS) and Standard Accounting, Budgeting and Reporting System (SABRS) cover central design activity rate increases, development expansions and restructuring, and development of electronic commerce/electronic data interface to SABRS. The Central Procurement Accounting System increase is also for development of electronic commerce/electronic data interface capability. The General Accounting and Finance System increase covers changes to meet mandatory requirements and operating location consolidation.

3. Administrative Systems

	Dollars in Thousands FY 1998		
	Pres Bud	**Revised**	**Delta**
Garnishment	1,002	1,418	+416
Configuration Mgt Info Sys	835	350	-485
Electronic Document Mgt	7,718	9,050	+1,332
Sys Inventory Database	0	102	+102
Resource Analysis Decision Spt Sys	2,000	2,909	+909
Performance Assessment Database	0	150	+150
Operation Mongoose	0	298	+298
Regional Svc Center	0	370	+370
Changes - Administrative Sys	11,555	14,647	+3,092

Changes represent minor enhancements to systems supporting the detection of fraud, management of automated information management systems and other headquarters support systems. Also included is a realignment of funds between ADPE and software development/modernization for the Electronic Document Management Program.

4. Disbursing Systems Migration Strategy

	Dollars in Thousands FY 1998		
	Pres Bud	**Revised**	**Delta**
Defense Check Reconciliation Sys	0	220	+220
Standard Fin Sys - Redesign	1,639	1,400	-239
Standard Neg Instr Processing Sys	0	200	+200
Consol Returned Items Stop Pay Sys	0	200	+200
Bond and Allot Sys	0	220	+220
Defense Standard Disb Sys	0	400	+400
On-line Pay & Collect Sys	0	400	+400
Changes - Disbursing Systems	1,639	3,040	+1,401

Changes to disbursing systems primarily reflect the decision that the Defense Standard Disbursing System will be the migration system in this area. Modest amounts of funding are allocated to small specialized disbursing systems to enhance their capability and accommodate mandatory changes.

5. Military Pay Systems

	Dollars in Thousands FY 1998 Pres Bud	Revised	Delta
Marine Corps Total Force Sys	7,879	4,300	-3,579
Navy Jumps	150	300	+150
Naval Reserve Drill Pay	180	110	-70
Ready Res Mob Insurance Sys	0	300	+300
Changes - Military Pay Sys	8,209	5,010	-3,199

Changes are due to a realignment of the schedule of systems changes

6. Contract Pay Systems

	Dollars in Thousands FY 1998 Pres Bud	Revised	Delta
Mechanization of Cont Admin Svcs	8,427	9,979	+1,552

Change is are based on systems changes to the Mechanization of Contract Administration Services to accommodate the expansion of system capability to process and track progress payments.

7. Other Systems

	Dollars in Thousands FY 1998 Pres Bud	Revised	Delta
Vol Sep Incentive/Special Sep Ben	240	100	-140
Defense Retiree & Annuitant Sys	3,058	3,008	-50
Multilevel Info Sys Sec Initiative	1,044	442	-602
Civ Pers Res Rep Sys	200	0	-200
Other Changes	92,042	91,789	-253
Changes - Other Systems	96,584	95,339	-1,245

Changes are based on rephasing of scheduled work.

Activity Capital Investment Summary **Component: Defense Finance and Accounting Service** **Activity: Financial Operations** **Date: February 1998** **($ in Millions)**								
Item Description			FY 1997		FY 1998*		FY 1999	
	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
Equipment >$100,000						**0.6**		**1.2**
- Replacement								
- Productivity								
- New Mission						**0.6**		**1.2**
Automated Data Processing Equipment >$100,000				**43.2**		**23.6**		**7.8**
- Hardware & Software				**41.1**		**5.5**		**7.8**
- Telecommunications				**2.1**		**15.6**		
- Other						**2.5**		
Minor Construction >$100,000 to <$300,000				**2.1**		**1.1**		**1.4**
Software Development >$100,000				**200.6**		**223.4**		**202.4**
TOTAL				**245.9**		**248.7**		**212.8**

Exhibit Fund-9a DWCF Activity Capital Investment Summary

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Automated Data Processing Epuipment
Telecommunications > $100,000

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						42,043			23,650			7,809

Narrative Justification:

The primary emphasis for the FY 1998/1999 ADPE program will be to support implementation of the electronic data management (EDM) initiative. Other support includes equipment buys for the Defense Joint Accounting System (DJAS), ELAN costs associated with operating locations consolidation and modernization of the Center networks, and hardware to implement the interface between the Defense Business Management System (DBMS) and the Defense Civilian Personnel Data System (DCPDS)

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Minor Construction > $100,000

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						2,074			1,053			1,350

Narrative Justification:

Minor construction projects will support implementation of the Pensacola Operating Location, projects to upgrade the Denver Center and projects to implement the consolidation of regional Human Resources Offices.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Other Equipment
> $100,000

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total									567			1,200

Narrative Justification:

Funds are required to purchase kitchen and filing equipment to outfit the new Columbus Center building to be completed in this time frame.

Exhibit Fund-9b DWCF Activity Capital Purchase Justification

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Componet/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description: Automated Time, Attendance, and Production System (ATAAPS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						3,258			2,682			600

Narrative Justification:

The Automated Time, Attendance and Production System (ATAAPS) is a Source Data Automation (SDA) system for time and attendance (T&A) reporting to the payroll system and labor and production (L&P) reporting to the accounting system. ATAAPS has been selected by DFAS-HQ as the standard SDA for activities using the Defense Civilian Payroll System (DCPS) which require edited labor data.

FY 1998/FY 1999 funds support system implementation, interfaces with the Standard Industrial Fund System (SIFS) and the Defense Joint Accounting System (DJAS), and completion of ATAAPS Windows implementations.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Componet/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Base Operations Support System (BOSS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						723			1,700			2,000

Narrative Justification:

The Base Operations Support System (BOSS) is an integrated system consisting of Supply, Procurement, and Financial support. The system supports 1,800 users and accounts for $3 billion annually. It supports the Defense Working Capital Funds (DWCF) Supply Management - Retail Business Area for the Defense Logistics Agency (DLA). This system also supports the Depot Distribution, Industrial Plant and Equipment, and the Defense Reutilization and Marketing business areas , as well as the Department of Defense Education Activity (DoDEA).

The FY1998/FY 1999 funds will support system enhancements, standardization of data elements, compliancy with the Federal Manager's Financial Integrity Act, and development to an Open Systems Environment using Oracle data base language with Geographical User Inquiry, consolidation of multiple data bases into a single data base, implementation of DWCF compliancy upgrades and program system interfaces.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Componet/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Commodity Command Standard System (CCSS)

D. Activity Identification
DFAS Centers

	FY 96			FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						739			2,740			3,600

Narrative Justification:

The Commodity Command Standard (CCSS) Financial Accounting System is the interim migratory Defense Working Capital Funds (DWCF) accounting system to support the DWCF Supply Management business area for the Army. CCSS provides accounting and reporting functionality required to support the business area. The functional review of CCSS disclosed system deficiencies that require correction in order for the system to comply with Chief Financial Officer, and FMFIA and DWCF accounting requirements. In FY 1998 /FY 1999 the CCSS will be modified to meet accounting requirements as prescribed by Federal and DoD directives.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Componet/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Defense
Business Management System (DBMS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						3,327			6,600			3,500

Narrative Justification:

The Defense Business Management System (DBMS) is an automated, centrally managed system that fully integrates the five major business management functions of organization and position management, personnel, payroll, resource management, and general accounting. The DBMS is used by the Military Services, several Department Agencies, and other federal agencies. Software development changes in FY 1998/FY 1999 are needed to satisfy requirements related to the Chief Financial Officers Act, legislative provisions, and other financial management issues. These software development/modernization changes will improve DBMS capability to provide accurate and timely financial management information to functional and financial managers.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Componet/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - **Defense Cash Accountability System (DCAS)**

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	**Quantity**	**Unit Cost**	**Total Cost**	**Quantity**	**Unit Cost**	**Total Cost**	**Quantity**	**Unit Cost**	**Total Cost**	**Quantity**	**Unit Cost**	**Total Cost**
Total						7,371			2,528			-0-

Narrative Justification:

The goal of the Defense Cash Accountability System (DCAS) is to meet the need to reengineer and consolidate the DoD cash accountability and reporting function in a modern, responsive process. It will provide a system for cash accountability and for the reporting of disbursements, reimbursements, and receipts to the US Treasury, and all other transactions which would affect the status of funds.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION ($ in Thousands)	A. FY 1999 President's Budget

B. Component/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - Defense Civilian Pay System (DCPS)	DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						14,021			12,241			8,902

Narrative Justification:

The Defense Civilian Pay System (DCPS) is implementing an automated Department of Defense (DoD) civilian pay system to improve productivity and reduce support costs. DCPS is a data collection, processing and reporting system for civilian payroll and leave and accounting. The system is completing appropriate automated interfaces with accounting systems and civilian personnel data systems. As of September 1997, 348 payroll offices have been closed and twenty-five systems eliminated. By the end of FY 1998, DCPS will service a total of 780,000 employees, payroll offices closed will rise to 349, and systems eliminated to 26. Further upgrades and functional enhancements will be completed in FY1999.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Componet/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - **Defense Departmental Reporting System (DDRS)**	DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						7,248			3,239			-0-

Narrative Justification:

The Defense Departmental Reporting System (DDRS) is a migration system selected by DFAS to be the departmental reporting system for DoD. The concept incorporates such capabilities as a standardized DoD General Ledger, Global Edits, Pre-validation, and the Corporate Database. Costs are accounted for above to develop these capabilities, as well as overall program management and training. DDRS is required by the Chief Financial Officer's Act of 1990 and other Congressional and DoD mandates, and is closely tied to the development of the Defense Cash Accountability System (DCAS) by the DFAS Corporate Applications office.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod -Defense Industrial Financial Management System (DIFMS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						13,347			16,900			17,859

Narrative Justification:

The Defense Industrial Fund Management System (DIFMS), formerly known as the NAVAIR Industrial Financial Management System (NIFMS), is a major cornerstone in DFAS's effort to eliminate legacy systems. DIFMS will be deployed to replace the legacy systems currently in operation at the Navy, Marine Corps and Air Force Depot Maintenance, and Navy Research and Development (R&D) business activities. When fully deployed, DIFMS will support Naval Aviation Depots, Naval Ordnance Centers, Naval Shipyards, Marine Corps Logistic Bases, Air Force Aviation Logistic Centers, and all Navy R&D activities. DIFMS provides a fully integrated financial system including general ledger accounting functions and support transactions, as well as overnight batch update capability. DIFMS consists of ten subsystems: cash, labor, other cost, material, cost summary, job order/customer order, billing, general ledger, purge/history, and fixed asset accounting. The system will interface directly with major supply systems, the Defense Civilian Payroll System and provide automated reconciliation, travel, expenditure processing and reporting systems. DIFMS requires upgrading to comply with Defense Working Capital Funds policies such as the DoD Standard General Ledger, Budget and Accounting Architecture (BAA), Chief Financial Officers Act (CFO) and the Federal Manager Financial Integrity Act (FMFIA). FY 1999 funding supports deploying DIFMS to the Air Force.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Defense Integrated Subsistence Management. System (DISMS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						1,048			4,025			3,960

Narrative Justification:

The Defense Integrated Subsistence Management System (DISMS) is an automated information system supporting the world wide management of the subsistence commodity. It operates at the Defense Personnel Support Center (DPSC), Defense Subsistence Region Europe at Zweibrueckan (DSR-E), and Defense Subsistence Offices (DSO). DFAS has assumed management responsibility for the financial module of the system.

DISMS is an integrated database system that interrelates all segments - - e.g., budgeting, voucher examination, cataloging, and procurement with common stores. DISMS is being developed incrementally with five of the six scheduled increments presently operational. The increments requiring development will include financial applications, such as general ledger and billing. In FY 1998/FY 1999 entitlement support , year 2000 compliance, electronic commerce, system interfaces, functional enhancements and user information needs will be completed.

Exhibit Fund-9b DWCF Activity Capital Purchase Justification

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998
~~February 1998~~

C. Line No. & Item Description:
Software Dev/Mod - Defense Joint Accounting System (DJAS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						10,672			29,427			56,813

Narrative Justification:

The Defense Joint Accounting System (DJAS) is an automated integrated financial management system that will support Army Posts, Camps, and Stations, Army Materiel Command installations, Army National Guard sites, DoD agencies (currently supported by DFAS-IN center), Air Force General Funds Accounting, the Transportation business activity, and the Security Assistance Accounting business process.

DJAS supports general ledger, funds control, budget execution, disbursing, travel, cost accumulation and asset accounting for general and transportation funds at installation level. DJAS will be utilized as a financial information management system by approximately 220 US Army activities, 36 DoD agencies, 163 US Air Force activities, 20 US TRANSCOM activities worldwide, and 400 Security Assistance users. DJAS will also be utilized by DFAS Operating Locations (OPLOCS) and Centers for accounting support for these worldwide activities. This system will be used to perform daily administrative, budgetary, fiduciary, managerial, financial, and accounting actions. Milestone 0, I, II , and III approvals for all business areas are planned in FY 1998. In addition, deployment to the Defense Agencies will commence and systems requirements design will begin. In FY 1999, deployment to Army Posts, Camps, and Stations, National Guard Bureau, and the Army Material Command will be implemented.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Defense
Joint Military Pay System (DJMS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						10,368			15,630			16,027

Narrative Justification: Defense Joint Military Pay System (DJMS) will consolidate Army, Navy and Air Force military payroll processing into one system. DJMS - Active Component (DJMS - AC) and DJMS - Reserve Component (DJMS-RC) are interim systems for the consolidation of Army, Navy and Air Force military pay accounts and will be merged to form DJMS in FY 2000. Army and Air Force military pay systems for Active Duty, academies, National Guard, Reserve Officer Training Corps, and Armed Forces Health Professionals Scholarship Program were converted into DJMS-AC and DJMS-RC in phases. The Naval Academy was converted to DJMS-AC and the Navy ROTC and AFHPSP were converted to DJMS-RC. Existing input systems will be used for the initial collection of military pay transactions and formatting data to meet DJMS requirements. In FY 1998, the Navy Active Duty (Feb) will be converted to DJMS-AC and the Navy Reserve (Nov) will be converted to DJMS-RC. The functional requirements design for the DJMS-AC/RC merge will be completed and initially tested during FY 1998 and FY 1999 in phases. Congressionally mandated changes such as year 2000, standardized data elements, cost of living allowances and off base housing are also scheduled for completion during FY 1998 and FY 1999. Mandatory systems changes will be implemented which will increase capability and performance of the standard system, to include one standard input system.

Exhibit Fund-9b DWCF Activity Capital Purchase Justification

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION ($ in Thousands)	A. FY 1999 President's Budget

B. Component/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - Defense Procurement Pay System (DPPS)	DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Total Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						1,569			12,188*			10,151

Narrative Justification:

The Defense Procurement Pay System (DPPS) Program will standardize contract payment processes throughout the Department of Defense. DPPS will replace the Mechanization of Contract Administration Services (MOCAS) system and other DFAS vendor pay systems. The scope of this effort also encompasses interfaces with related accounting and disbursing systems and the contract writing systems through a Shared Data Warehouse (SDW).

During FY 1998, DPPS program efforts will be directed towards requirements analyses, purchase of the commercial-off-the-shelf contract, data modeling, database design, and development of DPPS and the SDW, development of a technical migration bridge, development of a migration strategy involving MOCAS (contract pay), and development of interfaces with related accounting and disbursing systems through the SDW. In FY 1998/1999, the contract close out module will be completed. In addition, significant work will be accomplished in building interfaces with accounting and disbursing systems. Phase II includes a detailed analysis and possible conversion of vendor pay systems.

*** Does not nclude FY 1997 carryover of $6.5 million**

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Defense Retiree & Annuitant Pay System (DRAS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						1,726			3,008			2,644

Narrative Justification:

The Defense Retiree and Annuitant Pay System (DRAS) has implemented centralized pay processing for all military retirees, annuitants, and former spouses. DRAS consolidated eight payroll systems into a single system to operate at two Defense Finance and Accounting Service Centers. Payments for military retirees are maintained at the Cleveland Center. Accounts for annuitants are maintained at the Denver Center. The implementation effort has standardized software and hardware, increased system functionality, reduced manpower requirements, and provided a more efficient environment for processing retired/annuity pay.

In FY 1998 and 1999, DRAS will be modified to comply with various legislative changes affecting military retirees, annuitants, and former spouses. Examples of these changes include cost of living adjustments, federal tax withholdings deferments, veterans benefits and survivor benefits.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - Defense Standard Disbursing System (DSDS)	DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total									400			6,052

Narrative Justification:

The Defense Standard Disbursing System (DSDS) will be used DFAS-wide to make payments, accept collections, and maintain accountability for public funds. It will interface with multiple entitlement systems using a single format input file. This will necessitate modifications to these entitlement systems to enable them to produce output in the standard format. The goal of the DSDS is to increase the efficiency and effectiveness of disbursing operations, thus reducing costs. There are several key objectives that are critical in meeting this goal. They include:

- standardizing disbursement functions;
- streamlining transaction reporting and eliminating hard copy reports; and
- consolidating software services, thus reducing workload and improving customer service.

Work in FY 1998 includes completing the Acquisition Program Basesline, Operational Requirements Documents, Test/Evaluation Master Plan, Systems Security Plan, and the Integrated Logistics Support Plan. Milestone I approval and Initial Operational Capability is planned for FY 1999.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod -Defense Working Capital Accounting System (DWAS)	DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						14,182			6,900			4,800

Narrative Justification:

DFAS will deploy a commercial off-the-shelf (COTS) system to support Defense Working Capital Fund (DWCF) accounting and financial management functions for the Navy Base Support and Printing and Publications business areas. DFAS will replace three legacy systems by fiscal year 1999 while deploying COTS to 9 Public Works Centers, the Naval Facilities Engineering Service Center, and 6 Defense Automated Printing Service regional activities.

DWAS is a fully integrated financial management system that supports funding, general ledger, cost posting, payables, billing, receivables, travel, fixed assets, inventory, and reporting functions. DWAS will comply with DWCF policies, the Chief Financial Officer's Act, and the Federal Managers' Financial Integrity Act. DWAS will standardize accounting operations, eliminate manual systems, allow for the electronic sharing of data between systems, reduce the amount of redundant data, and reduce the operating costs of running legacy financial systems.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date: Defense Finance and Accounting Service February 1998	C. Line No. & Item Description: Software Dev/Mod - .Defense Working Capital Funds (DWCF) Information Services	D. Activity Identification DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quanity	Unit Cost	Total Cost	Quanity	Unit Cost	Total Cost	Quanity	Unit Cost	Total Cost	Quanity	Unit Cost	Total Cost
Total						948			1,900			1,117

Narrative Justification:

The Industrial Fund Accounting System (IFAS) has been designated as the interim migratory accounting system supporting the Information Services business areas of the Defense Information Systems Agency (DISA), Naval Computer and Telecommunications Command (NCTC), and selected Army and Air Force Central Design Activities (CDAs). IFAS consists of three modules: accounting, budget, and chargeback. Software development/modernization is necessary to satisfy requirements related to Chief Financial Officers Act, legislative provisions, and functional enhancements.

Systems enhancements are necessary to comply with prescribed accounting policy requirements including key accounting requirements. Also required are changes to IFAS to make it year 2000 compliant.

Exhibit Fund-9b DWCF Capital Purchase Justification

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - Electronic Document Management (EDM)	DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						10,852			9,050			3,538

Narrative Justification:

The EDM Program is a comprehensive business process improvement initiative designed to facilitate the consolidation of DoD finance and accounting functions; reduce operating costs; provide users with on-line access to financial documents and information; advance the application of new methods and technologies; improve the delivery of customers services; and ensure the consistent implementation of business practices throughout DoD. Imaging, electronic document management/access, work flow, and high-capacity storage technologies are to be employed in a variety of business areas.

Electronic Data Systems is tasked to design, develop and implement electronic document management systems at the Omaha, Kansas City and Charleston Operating Locations, DFAS-Columbus (Contract Pay) and DFAS-Cleveland (Garnishment). FY 1997 actions include: complete acceptance testing of prototype systems at three initial Operating Locations; install tailored solutions at additional Operating Locations; complete acceptance testing of DFAS-CO contract pay prototype and begin rollout to 1200 users. Implementation at the five approved locations will continue during FY 1998/FY 1999.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION ($ in Thousands)	A. FY 1999 President's Budget

B. Component/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - General Accounting and Finance System (GAFS)	DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						3,227			2,309			1,233

Narrative Justification:

GAFS is the base level accounting system for Air Force appropriated funds and includes standard appropriation accounting records for funding authority, commitments, obligations, and balances of available funds. It is used at over 100 locations world wide and accounts for $125 billion annually.
It is the field book of original entry and supports funds control for budgetary, disbursement accounting, and resource management at base level. This system is operational and has been designated a legacy system.

FY 1998/FY 1999 funding supports finance and accounting consolidation, interfaces with other functional areas, and customer requirements in support of changes in mission, policy, or procedure.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Marine
Corps Total Force Systems (MCTFS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	**Quantity**	**Unit Cost**	**Total Cost**	**Quantity**	**Unit Cost**	**Total Cost**	**Quantity**	**Unit Cost**	**Total Cost**	**Quantity**	**Unit Cost**	**Total Cost**
Total						7,362			4,300			4,500

Narrative Justification:

The Marine Corps Total Force System (MCTFS) is an operational integrated pay and personnel system that provides both pay/pay distribution and personnel administration support for both the regular and reserve components of the Marine Corps. The active duty and reserve functionality for military pay were combined into the MCTFS as part of the Defense Joint Military Pay System (DJMS) program. The MCTFS programs use computer equipment at the Defense Megacenter, St. Louis, Missouri. The MCTFS was deployed November 1994 by DJMS. Dev/Mod funds are for an ongoing re-engineering effort. Planned accomplishments include developing a common process for active duty and reserve pay, refining interfaces with other systems, centralizing pay functions, and greater automation of manual tasks. In addition, Dev/Mod funding is required for legislative changes impacting military pay and allowances, as well as for accomplishing actions directed by higher headquarters.

BUSINESS CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Material
Financial Control System (MFCS)

D. Activity Identification
DFAS Centers

Element of Cost	Quantity	Unit Cost	Total Cost	FY 97 Quantity	FY 97 Unit Cost	FY 97 Total Cost	FY 98 Quantity	FY 98 Unit Cost	FY 98 Total Cost	FY 99 Quantity	FY 99 Unit Cost	FY 99 Total Cost
Total						5,154			5,950			5,296

Narrative Justification:

The Material Financial Control System (MFCS) is an interim migratory system which will provide accounting for the Navy's Wholesale and Retail Supply Management business area. Six systems will be consolidated into MFCS. The consolidation of Navy Defense Working Capital Fund retail with wholesale will standardize the accounting and reporting for the supply management business area. MFCS supports the Naval Inventory Control Points' (NAVICPs) sites located in Mechanicsburg, PA, and Philadelphia, PA.

MCFS will require enhancements to comply with mandatory accounting requirements as prescribed by the Chief Financial Officers' Act (CFO), Federal Managers Financial Integrity Act (FMFIA) and Defense Working Capital Funds policies and DFAS standardization initiatives. Corrections of accounting deficiencies, as well as the consolidation of legacy systems into MFCS, are planned for FY 1998 through FY 1999. In addition, FY 1998/FY 1999 will include significant system consolidation and standardization work.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Mechanization of Contract Adm. Services (MOCAS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						4,398			9,979			4,059

Narrative Justification:

DFAS is supporting modifications for a financial module of a Defense Logistics Agency owned system. Mechanization of Contract Administration Services (MOCAS) supports the DoD procurement mission by providing a system for contract administration and payment. The Defense Finance and Accounting Service is responsible for the contract payment portion of MOCAS. The contract payment function includes entitlement determination, accounts management, prompt pay and cash management, disbursement, and interfaces to accounting and procurement systems.

In FY 1998/FY1999 modifications to comply with legislative and regulatory requirements will be accomplished. Additional efforts will focus on strengthening control, systems changes for improving the processing and tracking of progress payments, incorporating electronic data interchange, streamlining entitlement determination and making interface and technical enhancements.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION ($ in Thousands)	A. FY 1999 President's Budget
B. Component/ Activity/ Date: Defense Finance and Accounting Service February 1998	C. Line No. & Item Description: Software Dev/Mod - Resource Analysis Decision Support System (RADSS) / D. Activity Identification DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						724			2,809			-0-

Narrative Justification:

The Resource Analysis Decision Support System (RADSS) is the DFAS system for collecting and processing budget data. RADSS provides DFAS with access to financial information data, allowing analysts to query, report, graph, collect, combine, and present information to better manage and oversee costs.

RADSS contains four modules: Unit Cost, Automated Work Count (AWC), Automated Budget Formulation (ABF), and Manpower. Three of the four modules will be in full or partial production by the end of FY 1997, with the fourth going into production in the first quarter of FY 1998. Capital funds are required to complete several critical enhancements for each module. The Unit Cost module requires a redesign of both the database and the application to improve system performance, automate new reports, and to enhance overall system and maintainability. AWC requirements include automating the remaining manual systems and incorporating performance measurement features. Additional funds are required to complete the ABF operating budget, link capital assets with the depreciation, allow for reconciliation between budgets, and to extend full automation features to the Center level. Manpower users have identified and continue to identify enhancements that will automate manual processes and allow users to allocate more time to other duties such as analysis.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Standard Accounting Budgeting and Reporting System (SABRS)

D. Activity Identification
DFAS Centers

	FY 96			FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						6,385			4,200			2,000

Narrative Justification:

The Standard Accounting Budgeting and Reporting System (SABRS) will replace general fund accounting systems currently in place at all Defense Accounting Offices and Operating Locations supporting Marine Corps Command and Marine Corps Accounting Offices. Consolidation of appropriation accounting, budgeting and reporting under one system will facilitate conversion of Marine Corps accounting data to the future DoD accounting system.

The budget supports the migration of five systems to SABRS in FY 1998. Implementation of Key Accounting Requirements (KARs) and the Budget Accounting Architecture (BAA) will also occur in FY 1998. Funding will allow all Marine Corps appropriations to be merged into SABRS and to implement the standard budget and accounting classification code and support key accounting requirements in FY 1998 / FY1999.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - Standard Accounting and Reporting System (STARS)	DFAS Centers

	FY 96			FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						16,442			15,226			12,050

Narrative Justification:

The Standard Accounting and Reporting System (STARS) is a general fund accounting, bill paying and reporting system. STARS has been approved by Defense Finance and Accounting Service (DFAS) as the migratory system that consolidates all Navy and Defense Information Systems Agency (DISA) general fund accounting, bill paying and reporting operations.

The user base consists of over 1,118 activities and 11,000 users. Functions supported include general fund accounting functions, bill paying functions, electronic data interchange, electronic funds transfer, data interfaces to and from other financial and MIS systems, and financial reporting. Interfaces with other systems allow financial data to be interchanged at the data element level. Funding in FY 1998 and FY 1999 will be used to modify STARS to ensure compliance with Key Accounting Requirements (KAR), Standard DoD General Ledger, correct the year 2000 problem, security requirements, and technical upgrades to increase efficiency.

Exhibit Fund-9b DWCF Activity Capital Purchase Justification

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
September 1997

C. Line No. & Item Description:
Software Dev/Mod - Standard Army Financial Inventory Acctg & Reporting System Modernization (STARFIARS-M)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						1,698			3,418			2,588

Narrative Justification:

The Standard Army Financial Inventory Accounting & Reporting System Modernization (STARFIARS-M) is an interim migratory system that provides all stock fund external reporting and financial management requirements at the branch level of the retail supply level. The system also has functions that perform general ledger accounting, Defense Working Capital Funds (DWCF) budgeting and consumer Fund Control. In FY 1998 the interface with the Corps of Engineers Financial Management System will be deployed. Further enhancements and deployments are planned for FY 1999.

Exhibit Fund-9b DWCF Activity Capital Purchase Justification

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - Standard Automated Material Management System (SAMMS)	DFAS Centers

				FY97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						833			4,576			3.193

Narrative Justification:

The Standard Automated Material Management System (SAMMS) provides worldwide support for DLA's wholesale material management mission. It has five major subsystem services and automates/integrates supply functions, distribution, procurement, requisitioning, cataloging, and finance.

The Standard Automated Material Management System (SAMMS) was selected as the interim migratory accounting system for Defense Logistic Agency for wholesale supply. To ensure that SAMMS meets the Defense Working Capital Funds (DWCF) Corporate Board Directive, we must correct the supply deficiencies to comply with Chief Financial Officers Act, Federal Manager's Financial Integrity Act (FMFIA) and DWCF Accounting requirements as they pertain to Key Accounting Requirements.

Work in FY1998/FY1999 will also concentrate on functional enhancements, improving General Ledger Control, prevalidation of payments, year 2000 corrections, unit cost reporting, and financial reporting.

Exhibit Fund-9b DWCF Activity Capital Purchase Justification

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ ActivityDate:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Standard Industrial Fund System (SIFS)

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						2,646			3,325			2,500

Narrative Justification:

The Standard Industrial Fund System (SIFS) is designated as the interim migratory accounting system for the Army Depot Maintenance Activity. It records orders received from customers, allocates costs to a specific customer as work is performed, bills the customer upon completion or partial completion, and records the collection. This cost accounting system allows management to monitor performance on a specific order for the entire operation.

FY 1998/FY 1999 funds will enhance SIFS for cost accounting changes to comply with the applicable key accounting requirements (KAR). Standard Budget and Accounting Classification Code as directed by DoD financial management regulations will be implemented, as well as mandatory changes. In FY 1999, funding is being requested for the implementation of the Product Cost Accounting module.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - Standard Materiel Accounting System (SMAS)	DFAS Centers

	FY 96			FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						408			6,850			6,990

Narrative Justification:

The Standard Materiel Accounting System (SMAS), as the selected retail supply interim migratory system to support the Air Force, is an on-line, transaction-driven financial accounting and reporting system which will be used for all commodities within the supply management business area. The system maintains records for both comptroller and stock fund managers. It interfaces with the General Accounting and Finance System (GAFS), Medical Logistics (MEDLOG), Standard Base Supply System (SBSS), and Financial Inventory Accounting and Billing System (FIABS). SMAS facilitates management and customer support. In FY 1997/FY1998 SMAS will focus on combining the inventory accounting of the Reparable Support Divison and and Systems Support Division into a single working capital fund. Additionally, during FY 1998 and FY 1999 SMAS will be modified and enhanced to support the implementation of the Air Force Global Combat Support System (GCSS). Other system enhancements include a standard general ledger, use of the Budget Accounting Classification Code, correcting documented Key Accounting Requirements (KARS) deficiencies, conversion to an open systems environment, and various other functional and technical upgrades.

Exhibit Fund-9b DWCF Activity Capital Purchase Justification

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Componet/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Year 2000 Changes

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total									3,262			1,974

Narrative Justification:

As we approach the new century, it will be necessary to modify all systems to handle operations involving this year in the program logic. Original systems were not programmed with this consideration in mind. Failure to make the required changes will render systems inoperable.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Other Accounting General Fund

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Prog & Bud Acrtg Sys						3,725			771			420
Std Opn & Maint Army R&D Sys						2,468			1,100			850
Oth Gen Actg Sys						8,600			1,677			1,709
Total						14,793			3,548			2,979

Narrative Justification: The Program and Budget Accounting System (PBAS) is an automated system that records the receipt and the distribution of financial resources appropriated for and/or administered by the Department of the Army and by the Department of Defense (for Treasury Index 97 Funds). The Standard Operation & Maintenance Army Research and Development System (SOMARDS) is designed to record financial and program execution data for the Operations & Maintenance Army (OMA); Research, Development, Test & Evaluation; and other miscellaneous appropriations. SOMARDS is a real-time accounting system providing on-line update and allows fund control to be placed at the manager's level for more effective decentralized budget execution. Other systems include a variety of operational and departmental-level and feeder systems to support fund distribution, fund control, transaction reporting, commitment accounting, and project management for the military departments and other agencies. Many of these systems are installation or function specific, providing integrated programming, budgeting, accounting, and reporting capabilities that interface with installation-unique supply, personnel, procurement, and other financial systems. Systems are being identified as candidates for interim migratory systems to standardize and collapse the number of systems that support the general fund environment. FY 1998/1999 funding has been allocated to candidate interim migratory systems to increase functionality, comply with the Federal Financial Managers' Integrity Act, interface with standard systems, and accommodate legislative changes.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION ($ in Thousands)	A. FY 1999 President's Budget
B. Component/ Activity/ Date: Defense Finance and Accounting Service February 1998	C. Line No. & Item Description: Software Dev/Mod - Administrative Support
D. Activity Identification	DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Config Mgt Info Sys						1,730			350			357
Multi Lev Info Sec Initiative						400			442			433
Garnishment						535			1,418			1,517
Other Admin Spt						15,480			2,270			1,557
Total						18,145			4,480			3,854

Narrative Justification:

Administrative support systems provide office automation, administrative support and standardized business practices to DFAS headquarters, Centers and Defense Accounting Offices. Initiatives include: a download capability from the Defense Business Management System to provide expanded management reporting support; a standard configuration management information system to support tracking and costing of software development and maintenance support; and a centrally managed teleservices program. The Multilevel Information System Security Initiative (MISSI) provides security services to protect sensitive, unclassified information. Support includes: verification of the integrity of data that has been transmitted, stored or exposed to possible unauthorized modification; verification of the identify of the data originator or recipient; and protection of the data through encryption and limited access. Software development support provides the interfaces between the systems - current approved migratory systems and proposed migratory systems. The funding for Garnishment provides the modernization resources to support the consolidation of garnishment systems and operations at a single site (Cleveland, OH).

BUSINESS CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Componet/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Other Civilian Pay Systems

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						494			446			468

Narrative Justification:

Until transition to the standard DoD civilian pay system is completed, legacy civilian payroll systems will continue to be used to support the payment of Army, Navy, Marine Corps, Air Force and Defense Agency employees. The legacy civilian pay systems provide source data for pay and leave computations. They also collect and pay labor costs and provide performance measurement data to the cost accounting system. Accordingly, these systems interface with civilian personnel systems, the Federal Reserve, the Thrift Savings Board, the Internal Revenue Service and State and local governments.

The nature of payroll systems makes them extremely vulnerable to congressionally mandated and OSD policy driven changes. For example, when the Congress approves a budgeted pay increase, or when benefits change, civilian pay systems must be modified to reflect the new pay schedule. Changes are also required to support the consolidation of Defense Finance and Accounting activities and the development of interfaces to other systems.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Other Contract Pay Systems

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						5,625			5,037			1,634

Narrative Justification:

The Integrated Accounts Payable System (IAPS) is designed to automate accounting and payment functions related to payments to commercial vendors. Not only does it provide automatic payment voucher creation and follow-up for missing documents, but it also computes payment termination dates, amounts and interest and payments. IAPS is used world-wide at over 100 U.S. Air Force and other Department of Defense locations.

The Computerized Accounts Payable System (CAPS) provides a standard installation and center level vendor payment system that automates the commercial payment process, follow-up letters, in support of the Army Corps of Engineers, and Department of Defense activities. These systems must comply with Congressional mandates and OSD policy changes and interface with other finance and accounting systems that are currently being modified.

Exhibit Fund-9b DWCF Activity Capital Purchase Justification

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - Other DWCF Accounting Systems	DFAS Center

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						1,250			2,252			2,000

Narrative Justification:

Small amounts of modernization funding are budgeted for legacy Defense Working Capital Fund Systems until the standard systems are fully deployed. Systems affected include the Air Force Stock Fund Accounting Reporting System (AFSFARS), Defense Fuels Automated Management System (DFAMS), and the Retail Army Stock Fund Inventory Accounting and Reporting System (RASFIARS). The FY 1998/1999 funding will support mandatory changes to keep the systems up-to-date for legislative requirements.

Exhibit Fund-9b DWCF Activity Capital Purchase Justification

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Other Finance Systems

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Def Debt Mgt Sys						783			454			536
Int Pay & Coll Sys						1,366			1,078			357
Std Fin Sys						2,103			1,400			1,182
Auto Disb Sys						365			403			271
Def Tran Pay Sys						698			1,370			150
Other Fin Sys						110			1,490			204
Total						5,425			6,195			2,700

Narrative Justification:

The Defense Debt Management System (DDMS) standardizes and consolidates out-of-service debt cases for service members. The Defense Transportation Payment System (DTRS) supports the DoD initiative to standardize and consolidate transportation payments. The Standard Finance System (SFS) provides a standard installation and center level disbursing system which automates the processing of travel, military pay, accounts payable, disbursement and collection, and reporting requirements. The Integrated Payment and Collection System (IPC) tracks disbursement and collection transactions generated via cash, check, and miscellaneous vouchers. All accountability data is stored in the system as each transaction is entered. IPC prepares various reports, prints checks, and processes Level 8 Treasury Check reprinting. The system is used worldwide at 111 U.S. Air Force and Defense Mapping Agency locations.

Various other small disbursing initiatives provide small amounts of funding to maintain legacy systems until they are replaced by the Defense Standard Disbursing System (DSDS).

BUSINESS CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Business Area/ Date:	C. Line No. & Item Description:	D. Activity Identification
Defense Finance and Accounting Service February 1998	Software Dev/Mod - Foreign Military Sales (FMS)	DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						973			3,300			350

Narrative Justification: The Program Budget and Accounting System-Order Control (PBAS-OC) is an automated, on-line system that controls the receipt and distribution of Foreign Military Sales (FMS), trust fund obligation authority and expenditure authority to the Department of the Army and five Defense Agencies. In addition, PBAS-OC controls the distribution of Funded Reimbursement Authority (FRA) and Funded Reimbursable Program (FRP) for the US Army procurement appropriations. The Defense Integrated Financial System (DIFS) performs centralized, automated accounting, billing and financial management functions in support of the Foreign Military Sales (FMS) program. DIFS performs interactive data collection and retrieval through electronic interfaces with the Defense Security Assistance Agency Foreign Military Sales 1200 Information system, and the Army, Navy, and Air Force FMS Integrated Control Systems. Functions supported by DIFS include: contract maintenance, collection, obligation authority, expenditure authority, disbursement consolidation, aging and reconciliation, performance reporting consolidation, status of funds, customer billing accounts payable, accounts receivable, financial reporting, general ledger control, management reporting and accounting. FY 1998 funding supports the standard reconciliation tool, an automated on-line ORACLE-based graphical user interface system. This system will perform an automated reconciliation of detailed transactions level data comparing the contract paying system to the official accounting system. FY 1999 funds are for conversion of data to the Defense Security Assistance Management System (DSAMS), the new management information system being developed by the Defense Security Assistance Agency, and functional enhancements to the DIFS basic system.

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Software Dev/Mod - Military Pay Systems

D. Activity Identification
DFAS Centers

				FY 97			FY 98			FY 99		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total						993			710			510

Narrative Justification:

Legacy military payroll systems are data collection, processing and reporting systems used in support of Active Duty, Reserve, National Guard, Reserve Officer Training Corps, Service Academies, and Armed Forces Health Professionals Scholarship Program personnel. The systems perform pay computation, leave record keeping, accounting and reporting information to the military departments. These systems interface with appropriate accounting and military data systems, Federal Reserve, Internal Service, state and local departments of revenue, and the Social Security Administration. Continued modernization is necessary to ensure compliance with legislative and regulatory requirements until replaced by the Defense Joint Military Pay System.

Activity Capital Investment Summary
Component: Defense Finance and Accounting Service
Activity: Information Services
Date: February 1998
($ in Millions)

Item Description			FY 1997		FY 1998		FY 1999	
	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
Equipment >$100,000								
- Replacement								
- Productivity								
- New Mission								
Automated Data Processing Equipment >$100,000				7.0		5.3		5.3
- Hardware & Software				7.0		5.3		5.3
- Telecommunications								
- Other								
Minor Construction >$100,000 to <$300,000								
Software Development >$100,000								
TOTAL				7.0		5.3		5.3

Exhibit Fund-9a DWCF Activity Capital Investment Summary

ACTIVITY CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands) INFORMATION SERVICES

A. FY 1999 President's Budget

B. Component/ Activity/ Date:
Defense Finance and Accounting Service
February 1998

C. Line No. & Item Description:
Automated Data Processing Equipment > $100,000

D. Activity Identification

				FY 97			FY 98			FY 99		
Element of Cost	Quanity	Unit Cost	Total Cost	Quanity	Unit Cost	Total Cost	Quanity	Total Cost	Unit Cost	Quanity	Total Cost	Unit Cost
Total						6,967			5,250			5,344

Narrative Justification:

Capital funding for the Information Services business area will support essential equipment to support their design/management mission. Examples of equipment to be procured in FY1998/FY1999 include ELAN support and equipment, various software products and tools and a database management system.

Activity Group Capital Investment Summary
Defense Information Systems Agency
Information Services
Defense Megacenters
(Dollars in Millions)

Line Number	ITEM DESCRIPTION	1998	1999
		Total Cost	Total Cost
1	DMC Consolidation/ Regionalization	52.900	-
2	Facilities Support	3.512	6.400
3	Fiber Distribution System	5.000	-
4	Replace Older DASD	-	10.600
	TOTAL	**61.412**	**17.000**

The following page provides an analysis of DMC capital projects that were approved in the FY 1998/1999 President's Budget and have subsequently been canceled or deferred.

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Activity Group Capital Investment Summary
Defense Information Systems Agency
Information Services
Defense Megacenters
(Dollars in Millions)

CANCELED OR DEFERRED PROJECTS

In the FY 1998/1999 President's Budget, Congress approved a DMC capital program of $38 million. Due to the emergent megacenter colsolidation initiative, several previously approved FY 1998 projects have been canceled or reduced. The following analysis of canceled/reduced projects is provided:

	FY 1998 President's Budget	FY 1999 President's Budget	Amount of Cancellation or Reduction
Facilities Support	6.422	3.512	-2.910
Fiber Distribution System	13.176	5.000	-8.176
Facilities Replacement - DMC San Antonio	1.046	-0-	-1.046
Additional DASD Array	4.423	-0-	-4.423
Tape Data Storage	7.204	-0-	-7.204
AFMC Lean Logistics	5.729	-0-	-5.729
Total Previously Approved FY 1998 Projects	**38.000**	**8.512**	**-29.488**

The aforementioned projects have been canceled or reduced due the DMC consolidation and regionalization initiative. The planned cost of this initiative is $52.9 million. This consolidation effort is discussed at length in the corresponding Exhibit Fund 9b, Activity Group Capital Purchases Justification.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION ($ In Thousands)	A. FY 1999 President's Budget

B. DISA/Information Services/ February 1998	C. Line No. & Item Description: 1 - DMC Consolidation/Regionalization	D. Defense Megacenters (DMCs)

	FY 1997			FY 1998			FY 1999		
	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost
DMC Consolidation/Regionalization				1		$52,900			

The Quadrennial Defense Review 1997 (QDR) stated that DISA WESTHEM should consolidate its 16 Defense Megacenters (DMCs) mainframe processing to six DMC mainframe processing sites. The remaining DMCs will be streamlined to support mid-tier processing on a self-sufficient basis. This will continue the drive towards lower rates for the DISA customers. Economic Analyses to support specific consolidation projects will be provided under separate cover.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
($ In Thousands)

A. FY 1999 President's Budget

B. DISA/Information Services/ February 1998

C. Line No. & Item Description: 2 - Facilities Support

D. Defense Megacenters (DMCs)

	FY 1997			FY 1998			FY 1999		
	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost
Facilities Support						$3,512			$6,400

This requirement was approved in Program Budget Decision 417, signed 25 Nov 1996 for each of the FY funding amounts reflected. DISA WESTHEM is presently taking a proactive step to ensure continued operations at the Defense Megacenters (DMC). The DMCs continue to need mission critical facility equipment and systems (such as chillers and uninterruptable power supplies) that support their processing capability. Equipment that has surpassed its practical life could fail at anytime, resulting in cessation of computer operations until expensive emergency replacement of equipment can be acquired. Initiatives previously completed include a fire suppression system at DMC St. Louis and an energy control and monitoring system at DMC Mechanicsburg.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION ($ In Thousands)	A. FY 1999 President's Budget

B. DISA/Information Services/ February 1998	C. Line No. & Item Description: 3 - Fiber Distribution System	D. Defense Megacenters (DMCs)

	FY 1997			FY 1998			FY 1999		
	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost
Fiber Distribution System				1	$5,000	$5,000			

This requirement was approved in Program Budget Decision 417, signed 25 Nov 1996. Increased workload for the core Megacenters makes it essential that they process with state-of-the-art Fiber Distribution Systems. This will satisfy the DMCs' need to obtain, store, and provide required, reliable, and timely information to the customer. Interconnectivity and data distribution are fundamental to this process and the FDS will speed customer access and minimize operating costs. The FDS will also increase DMC effectiveness as information system services providers.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION ($ In Thousands)	A. FY 1999 President's Budget

B. DISA/Information Services/ February 1998	C. Line No. & Item Description: 4 - Replace Older DASD	D. Defense Megacenters (DMCs)

	FY 1997			FY 1998			FY 1999		
	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost
Replace Older DASD							1	$10,600	$10,600

This requirement was approved in Program Budget Decision 417, signed 25 Nov 1996. The amount has changed slightly because of vendor price changes. Replacement of older DASD with new technology DASD is recommended to reduce operating costs and improve over all system performance. This proposal will provide fast data processing access and response times will be realized. DMCs and customers will benefit from improved data integrity and product reliability. The most cost effective alternative in this case is to purchase the most current DASD technology.

Capital Budget Execution
Defense Information Systems Agency
Information Services Activity Group
Defense Megacenters

FY 1998
FY 1999 President's Budget

PROJECTS ON THE FY 1998/1999 PRESIDENT'S BUDGET

(Dollars in Millions)

FY	Approved Project	Pres. Budget FY 98/99	Reprogs	Approved Project Cost	Current Project Cost	Asset/ Deficiency	Explanation
1998	Equipment - ADPE and TELECOM						
	CPU/Other Hardware	17.450	0.000	17.450	0.000	17.450	Request transfer to fund DMC consolidation.
	Communications	13.180	0.000	13.180	5.000	8.180	Request transfer to fund DMC consolidation.
	Software	0.000	0.000	0.000	0.000	0.000	
	DASD	0.000	0.000	0.000	0.000	0.000	
	Tape/Robotic	0.000	0.000	0.000	0.000	0.000	
	DMC Consolidation/Regionalization	0.000	0.000	0.000	52.900	(52.900)	Emergent DMC Consolidation Requirements
	Facilities/Security Requirements	7.470	0.000	7.470	3.512	3.958	Request transfer to fund DMC consolidation.
	TOTAL	38.100	0.000	38.100	61.412	(23.312)	

Capital Budget Execution
Defense Information Systems Agency
Information Services Activity Group
Defense Megacenters

FY 1999
FY 1999 President's Budget

PROJECTS ON THE FY 1998/1999 PRESIDENT'S BUDGET

(Dollars in Millions)

FY	Approved Project	Pres. Budget FY 98/99	Reprogs	Approved Project Cost	Current Project Cost	Asset/ Deficiency	Explanation
1999	Equipment - ADPE and TELECOM						
	CPU/Other Hardware	0.000	0.000	0.000	0.000	0.000	
	Communications	0.000	0.000	0.000	0.000	0.000	
	Software	0.000	0.000	0.000	0.000	0.000	
	DASD	10.600	0.000	10.600	10.600	0.000	
	Tape/Robotic	0.000	0.000	0.000	0.000	0.000	
	DMC Consolidation/Regionalization	0.000	0.000	0.000	0.000	0.000	
	Facilities/Security Requirements	6.400	0.000	6.400	6.400	0.000	
	TOTAL	17.000	0.000	17.000	17.000	0.000	

Activity Group Capital Investment Summary
Defense Information Systems Agency
Information Services
Communications Information Services Activity
(Dollars in Millions)

Line Number	ITEM DESCRIPTION	1998 Total Cost	1999 Total Cost
1	Procurement	5.152	2.795
2	Data	-	-
3	Voice	.250	-
4	Imagery	-	-
5	Transport	-	-
	TOTAL	**5.402**	**2.795**

The following page provides an analysis of CISA capital projects that were approved in the FY 1998/1999 President's Budget and have subsequently been canceled or deferred.

Activity Group Capital Investment Summary
Defense Information Systems Agency
Information Services
Communications Information Services Activity
(Dollars in Millions)

CANCELED OR DEFERRED PROJECTS

In the FY 1998/1999 President's Budget, Congress approved a CISA capital program of $1.252 million. Due to changing business trends, certain projects have been canceled, and others substituted. The following analysis of cancellations and substitutions is provided:

	FY 1998 President's Budget	FY 1999 President's Budget	Amount of Cancellation or Reduction
CSU/DSU Cards (VOICE)	.150	-0-	- .150
IDNX-90 w/ IDNX Cards, Cables (TRANSPORT)	.100	-0-	- .100
Total Previously Approved Canceled FY 1998 Projects	**.250**	**-0-**	**- .250**

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The aforementioned projects have been canceled as they are no longer valid requirements. Several procurement systems projects have been substituted. These procurement projects are discussed at length in the corresponding Exhibit Fund 9b, Activity Group Capital Purchases Justification.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. DISA/Information Services/February 1998

C. Line No. & Item Description:
1 - Procurement

D. Communications Information Services Activity (CISA)

	FY 1997			FY 1998			FY 1999		
	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost
Relational Database Management System (RDBMS)				1	$685	$685	1	$418	$418
Document Management and Workflow System				-	-	-	-	-	-
Document Management and Workflow System - Expansion				1	$1,288	$1,288	1	$434	$434
Hardware Suite for Standard Procurement System				1	$67	$67	-	-	-
Decision Support Capability				1	$368	$368	1	$328	$328
Rates and Tariff File System				1	$643	$643	-	-	-
Contract Entry System				1	$1,742	$1,742	1	$460	$460
Integrated Multimedia Capability				-	-	-	1	$1,155	$1,155
Emergency Power Generator/ Uninterruptible Power Supply				1	$359	$359	-	-	-
TOTAL				7	$5,152	$5,152	5	$2,795	$2,795

Relational Database Management System: This initiative requests funds to convert the existing DITCO application systems to client-server, relational database management systems. These existing systems provide unique telecommunication processing in support DITCO's ordering, procurement, and financial processing. The systems that encompass this processing environment are: Computer Assisted Procurement System (CAPS), Automated Contract Preparation System (ACPS), Financial Accounting and Budgeting System (FABS), Rates and Tariff File System (RTFS), Financial Accounting Management Information System (FAMIS), Fixed Asset Accounting and Control System (FAACS), DITCO Telephone Directory, and Project Management and Control System (PMCS).
Document Management and Workflow System: This initiative replaces the Wang computer system, Wang network, and DIIS software with a non-proprietary, integrated open system. The existing Wang contracting data will be converted into an open system format. When completed, this project will comprise a system capable of processing over 300,000 documents a year.
Document Management and Workflow System - Expansion: DMWS began in FY97 in an effort to replace the closed network, Wang-based DITCO Integrated Imaging System (DIIS). DIIS provided the DITCO communications contracting account managers with access to telecommunications inventory of services (IOS) and service charge details (SCD). DIIS was not compliant with DOD common operating environments, DISANET NT, nor a client-server SQL/Oracle database. Currently, DMWS allows DITCO account managers access to IOS/SCD data via the DITCO LAN within the Windows NT desktop environment. The DMWS implementation resulted in the conversion of over 1.8 million IOS and SCD documents from Wang Pace to a Filenet document management and workflow engine with an Oracle SQL database. DMWS eliminated the manual 9-track tape processing interface between the St. Louis Megacenter and DIIS. DMWS instituted an automated file-transfer protocol utility--helping to eliminate the requirement for a night-shift operator.
Hardware Suite for Standard Procurement System: This ongoing initiative is for the purchase of a computer hardware platform to support DITCO's testing of SPS. DISA/DITCO is one of the DoD agencies chosen to participate in the SPS Demonstration/Validation (Dem/Val). Results from the SPS Dem/Val will be part of the selection criteria for the SPS contract award. DITCO is currently in the process of migrating automated applications from a mainframe environment. The SPS Dem/Val is a step in the migration plan in preparation for implementation of SPS. This effort also supports DITCO's migration to a relational database environment.
Decision Support Capability: People who make business decisions need information. The challenge is getting this information into the hands of the people who need it in a way that ensures its accuracy, timeliness, and usefulness. The purpose of this project is to create an interim, low end, decision support capability that will immediately provide detailed and summary business information to management. The interim capability will adequately meet the decision support requirements of the DITCO procurement and financial management until the full benefits of the Central Data Base and AIS Migration Plan are realized.

Rates and Tariff File System (RTFS). The Rates and Tariff File System (RTFS) processes transactions that reflect rate changes granted to carriers and circuit reconfigurations imposed by carriers. Tariffs update the Contractual On-line Procurement System (COPS) data files with these transactions. COPS then uses the transaction information to update the Financial Accounting and Budgeting Systems (FABS) files.

Another process included in tariffs is known as "pricer." This process allows DITCO personnel and DITCO customers to review current charges for services provided by the dominant interstate communications provider. This process is also used to verify proposed contractor charges and assists DITCO client communications budget activities.

DITCO began upgrading RTFS to a relational database environment three years ago, prior to the availability of client-server capabilities. Now that the system has been converted to a relational database, it is time to take advantage of newer graphical user interfaces and technologies which were not the target of the relational effort.

Transitioning to client-server processing will be the first of four software products to transition off the mainframe system. Interfaces to the mainframe applications (COPS, FABS) will be accomplished via SYBASE Middleware. It will provide enhanced entry, retrieval, and reporting of information. By accomplishing the transition to client-server, the RTFS will be COE compliant in accordance with the OSD DII objectives.

Contract Entry System (CES). The Contract Entry System (CES) was began approximately 1 ½ years ago in support of the Federal Wireless effort. Since then, the focus of the CES effort is to provide worldwide automated ordering capabilities for DISA's customers. Coupled with this electronic streamlining, Federal Agencies need the ability to electronically obtain services from DITCO that include: electronically browsing a catalog of DISA's products and services, simultaneous direct electronic ordering to the vendor and to DITCO; and direct electronic billing interfaces between DITCO agencies and vendors.

The initial scope of the base CES, which will be delivered the first quarter of FY98, is to provide basic automated ordering for the Hawaii Information Transfer System (HITS). HITS will provide information transfer services encompassing engineering, planning, implementation, and Network Management including all the functions associated with administration, operation, maintenance, and provisioning a telecommunications network.

Integrated Multimedia Capability. With the evolution of computers and the work environment comes the need to merge the telephone and the computer into a single entity capable of processing voice and video transmissions as well as meeting traditional multimedia requirements. This initiative requests funds to integrate the functions of voice, video and data at a workstation meeting traditional data and multimedia requirements.

We are proposing accomplishing this through the acquisition of hardware and software. The foundation of this effort is to integrate all sources of voice, video, and data through a cost effective interface to a workstation capable of supporting the demands placed upon it. There are two sources for this type of data to enter DITCO. First, the non-classified internet protocol network (NIPRNET). Second, the Northern Telecom Meridian 1 private branch exchange (PBX) located at DITCO. Already in place is a robust and scalable local area network (LAN) with a high bandwidth connection to the NIPRNET. The next step is to integrate the PBX into the existing network.

Emergency Power Generator/Uninterruptible Power Supply. The DISN Service Center (DSC) has relocated to Building 3189 at Scott Air Force Base. The building was reconfigured by the Air Mobility Command. The Headquarters Air Mobility Command Contracting staff determined that this portion of the reconfiguration was out of scope of their current contract and must be deleted. As such, DISA reprogrammed capital funding to meet this emergent requirement. This building houses users of the World Wide On-Line System (WWOLS), a classified engineering allocation database that tracks the networks in the Defense Communications System. An emergency back-up power system is required to support WWOLS. FY 1997 funds of $421,000 are being used to purchase and install an uninterruptible power system (UPS), consisting of a 300KVA. FY 1998 funds of $359,000 are required to purchase a 500KW natural gas generator. Without the generator and UPS, the Operations center and WWOLS users will not be able to move to the new building. The target date for move-in is late November 1997.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. FY 1999 President's Budget

B. DISA/Information Services/FEB 1998

C. Line No. & Item Description:
4 - Imagery

D. Communications Information Services Activity (CISA)

	FY 1997			FY 1998			FY 1999		
	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost	Quantity	Unit cost	Total cost
VTC & EC-EDI Hubs and Equipment				1	$250	$250			
TOTAL				1	$250	$250			

Video Teleconferencing (VTC) and Electronic Commerce (EC) - Electronic Data Imaging (EDI) Hubs and Equipment: The Imaging services segment of DISN provides for video teleconferencing and electronic commerce data imaging on a world-wide basis for DoD and approved non-DoD customers. A global VTC sub-segment of imaging within DISN is currently being fielded. This sub-segment will merge existing CONUS and OCONUS VTC resources into a single interoperable world-wide VTC network. The requested funding will provide for contingency equipment required for interoperability or forces deployment use of VTC.

The EC-EDI segment of DISN imaging services will provide for electronic personnel, accounting, procurement and logistics across DoD in a single inter-operable systems environment.

The Imaging services section authority is contained in the overall DISN objectives, Operational Requirements Document, and program discussions approved by OASD(C^3I) and OCJCS.

Capital Budget Execution
Defense Information Systems Agency
Information Services Activity Group
Communications Information Services Activity

FY 1998
FY 1999 President's Budget

PROJECTS ON THE FY 1998/1999 PRESIDENT'S BUDGET

(Dollars in Millions)

FY	Approved Project	Pres. Budget FY 98/99	Reprogs	Approved Project Cost	Current Project Cost	Asset/ Deficiency	Explanation
1998	Equipment - ADPE and TELECOM						
	1. Procurement	0.752	0.250	1.002	5.152	(4.150)	Emergent requirements at DITCO
	2. Data	0.000	0.000	0.000	0.000	0.000	-
	3. Voice	0.150	(0.150)	0.000	0.000	0.000	Reprogrammed to Capital Procurement Projects (Line 1)
	4. Imagery	0.250	0.000	0.250	0.250	0.000	-
	5. Transport	0.100	(0.100)	0.000	0.000	0.000	Reprogrammed to Capital Procurement Projects (Line 1)
	Total FY 1998	1.252	(0.000)	1.252	5.402	(4.150)	

Capital Budget Execution
Defense Information Systems Agency
Information Services Activity Group
Communications Information Services Activity

FY 1999
FY 1999 President's Budget

PROJECTS ON THE FY 1998/1999 PRESIDENT'S BUDGET

(Dollars in Millions)

FY	Approved Project	Pres. Bud FY 98/99	Reprogs	Approved Project Cost	Current Project Cost	Asset/ Deficiency	Explanation
1999	Equipment - ADPE and TELECOM						
	1. Procurement	0.413	0.403	0.816	2.795	(1.979)	Emergent requirements at DITCO
	2. Data	0.000	0.000	0.000	0.000	0.000	-
	3. Voice	0.153	(0.153)	0.000	0.000	0.000	Reprogrammed to Capital Procurement Projects (Line 1)
	4. Imagery	0.250	(0.250)	0.000	0.000	0.000	Reprogrammed to Capital Procurement Projects (Line 1)
	5. Transport	0.000	0.000	0.000	0.000	0.000	-
	Total FY 1999	0.816	(0.000)	0.816	2.795	(1.979)	

Defense-Wide Working Capital Fund
Joint Logistics Systems Center
FY 1999 Amended Budget Estimates
EXECUTIVE SUMMARY

The Joint Logistics Systems Center (JLSC) was established in March 1992 with the mission of achieving Logistics Functional Area goals for the Department of Defense (DoD) Depot Maintenance (DM) and Supply Management (SM) business areas by managing the design, development and implementation of corporate DoD systems and facilitating improved logistics business processes. The JLSC is a jointly staffed organization with military and civilian personnel from the Defense Logistics Agency and each of the Military Services (hereafter referred to as the components). Unlike most other Working Capital funds, JLSC does not have an operating budget consisting of revenue and expense. The JLSC operating budget is part of the total capital budget and pays for the normal operations of the JLSC; i.e., payroll for personnel assigned to the JLSC, moving expenses, travel, supplies, office equipment, etc. Civilian end strengths and workyears are reflected in the Components' budgets, while salaries are budgeted and paid for by JLSC.

JLSC has worked closely with the DoD Logistics community to effectively integrate strategies, business processes, data, information systems, technologies and resources to "equip the warfighters with improved logistics processes, systems and information." The JLSC's primary responsibility was the development of logistics information systems within the DM and SM business areas. The JLSC-developed logistics systems will provide reliable, flexible, and prompt logistics support, information, and services resulting in a more effective and efficient logistics infrastructure.

The JLSC has evolved from an initial strategy of supporting Near Term Initiatives (NTIs), which provided specific capabilities to the Military Services and the DLA resulting in substantial immediate benefits, to a strategy based upon consensus within the DoD Logistics Community.

On August 18, 1997, the Acting Under Secretary of Defense (Comptroller) approved the final decisions and recommendations resulting from the Working Capital Fund Study Group. Among the decisions was one to terminate JLSC and begin the process no later than October 1, 1997 to devolve its programs and responsibilities to the individual Components. This decision was followed by a memorandum from the Deputy Under Secretary of Defense for Logistics directing the transfer of all its projects by the end of fiscal year 1998 including all residual acquisition and sustainment responsibility. The funding remaining in fiscal year 1999 is for the JLSC to complete all actions commensurate with the closure of the organization.

Plans have been finalized to transfer each of the fifteen JLSC projects in the DWCF to a lead component which will accept and execute all program management responsibilities. In the case where there is more than one component receiving an application, there is a designated lead and the others will receive support. Negotiations are currently underway between the JLSC and lead components to prepare Program Management Responsibility Transfer (PMRT) plans for each of the JLSC projects. Additionally, a second memorandum of agreement will be negotiated between the lead component and the supported components which will address their interaction in

areas such as requirements, funding, and configuration management. Program development, maintenance, and configuration management responsibility for the JLSC projects continue to reside within JLSC until transferred to the component. All of the transfers require approval by the appropriate acquisition authorities. No projects were transferred in fiscal year 1997.

In addition to the requirements for the development and deployment of JLSC applications, JLSC received component legacy funding for "must changes"; i.e., public law, Congressional mandates, and to assist Components in their efforts toward Defense Information Infrastructure Common Operating Environment (DII COE) compliance. In fiscal year 1998, JLSC Legacy funding was transferred to the Components. The Defense Integrated Subsistence Management System (DISMS) and Defense Medical Logistics Standard System-Wholesale (DMLSS-W), was transferred from the JLSC to the DLA beginning in fiscal year 1998.

Another portion of the JLSC budget has been the Logistics Community Management (LCM) program. The LCM charter was coordinated with the components and signed by DUSD(L) and endorsed by the Logistics Directorate of the Joint Chiefs of Staff (JCS J-4) in July, 1997. The LCM was not a mission of the JLSC but was funded as part of the JLSC because the requirement arose from a central logistics perspective and DUSD(L) identified those requirements in the JLSC budget. This program has been transferred from the Defense Working Capital Fund of the JLSC to an appropriated fund within the Defense Logistics Agency beginning in fiscal year 1999.

Business Area Capital Budget Summary
Joint Logistics Systems Center
Date: February 1998
($ in millions)

Line Number	Item Description	FY 97		FY 98		FY 99	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
DEPOT	**MAINTENANCE-SOFTWARE**						
JDS 100	**Depot Maintenance (DM) System**		**40.6**		**55.9**		**0.0**
	Manufacturing Resource Planning Commercial-Off-the-Shelf System		9.9		14.5		0.0
	Interservice Material Accounting & Control System		0.7		1.6		0.0
	Depot Maintenance-Hazardous Material Management System		0.3		0.1		0.0
	Enterprise Information System		1.7		0.4		0.0
	Facilities & Equipment Maintenance		6.1		11.1		0.0
	Laboratory Information Management System		1.2		0.5		0.0
	Tool Inventory Management Application		0.8		0.5		0.0
	Baseline Advanced Inventory Mgmt		7.8		11.3		0.0
	Programmed Depot Maintenance Scheduling System		0.2		0.2		0.0
	Depot Maintenance Managment Information System		0.7		0.0		0.0
	Depot Maintenance System		7.7		8.9		0.0
	Depot Maintenance System Beyond JAX		3.5		6.8		0.0
JDL 100	**Total Component Legacy**		**6.7**		**0.0**		**0.0**
	Army Standard Depot System (SDS)		4.5		0.0		0.0
	Army-Other		0.0		0.0		0.0
	Navy/Marine Corps Legacy		0.0		0.0		0.0
	Air Force Legacy		0.0		0.0		0.0
	Air Force Other		2.2		0.0		0.0
							0.0
	TOTAL DEPOT MAINTENANCE		**47.3**		**55.9**		**0.0**

Business Area Capital Budget Summary (continued)
Joint Logistics Systems Center
Date: February 1998
($ in millions)

Line Number	Item Description	FY 97		FY 98		FY 99	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
MATERIEL MANAGEMENT-SOFTWARE							
JSM 100	**Materiel Management Systems (MMS)**		**62.9**		**40.2**		**0.0**
	Configuration Management Information System		15.6		5.7		0.0
	Maintenance Planning & Execution System		10.6		10.7		0.0
	Stock Control System		16.1		7.3		0.0
	Math Models		8.1		4.0		0.0
	Commercial Asset Visibility II		7.1		8.1		0.0
	Defense Supply Expert System		0.4		1.5		0.0
	Materiel Management Program Support		4.8		2.9		0.0
	Completed/Closed Applications		0.2		0.0		0.0
JSC 100	**Defense Medical Logistics Standard System - Wholesale (DMLSS-W)**		**7.6**		**0.0**		**0.0**
JSD 100	**Defense Integrated Subsistence Management System (DISMS)**		**1.6**		**0.0**		**0.0**
JSL 100	**Total Component Legacy**		**0.0**		**0.0**		**0.0**
	Army		0.0		0.0		0.0
	Navy/Marine Corps		0.0		0.0		0.0
	Air Force		0.0		0.0		0.0
	Defense Logistics Agency		0.0		0.0		0.0
	TOTAL MATERIEL MANAGEMENT		**72.1**		**40.2**		**0.0**

Business Area Capital Budget Summary (continued)
Joint Logistics Systems Center
Date: February 1998
($ in millions)

Line Number	Item Description	FY 97		FY 98		FY 99	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
LOGISTICS COMMUNITY MANAGEMENT							
JSG 100	Logistics Community Management		12.0		6.0		0.0
	TOTAL JLSC CAPITAL BUDGET		**131.4**		**102.1**		**0.0**
MANAGEMENT SUPPORT							
JMO 100	Operating Budget		27.9		20.3		4.9
	TOTAL JLSC BIENNIAL BUDGET		**159.3**		**122.4**		**4.9**

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION ($ in Thousands)									A. Budget Submission FY1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/ Depot Maintenance/February 1998	C. Line No. & Item Description Depot Maintenance (DM) System JDS 100						D. Activity Identification Joint Logistics Systems Center		
	FY 1997			FY 1998			FY 1999		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software			$40,600			$55,900			$0
TOTAL			$40,600			$55,900			$0

Narrative Justification:

The JLSC will complete its mission in FY 1998 and the management responsibility of the nine projects that comprise the Depot Maintenance System will be transferred to the Miliary Services based on the Deputy Under Secretary of Defense for Logistics (DUSD/L) Memorandum of 16 October 1997. This memorandum directed the transfer of all projects managed by the JLSC. Additionally, the Acting Under Secretary of Defense (Comptroller) approved the findings of the Defense Working Capital Fund Study Group which recommended termination of the JLSC and to devolve management responsibilities for its projects no later than fiscal year 1998 with final closure during fiscal year 1999. Since the JLSC has been planning for the transfer of these projects based on deployment schedules, the projected completion of the program management transfer should occur by September 1998. However, a closure team will remain in place throughout part of fiscal year 1999 to close financial, personnel and inventory records. Following these decisions the Acquisition Authority over the DM program approved a coordinated transfer plan for moving the individual projects from under their authority to the gaining Service Acquisition Authority with final approval by the Office of Assistant Secretary of Defense (Command, Control, Communications and Intelligence) for each planned transfer.

The requirement for the nine systems that make up the DM System Program is described in individual software application Acquisition Project Baselines. These applications address major end item management, commodities repair and specialized support (tool management, hazardous material management, facilities/equipment management, laboratory information management, enterprise information management and interservice workload tracking). The objective is to provide to the user a suite of service specific migration applications with basic interfaces to the legacy environment. The JLSC funding for Depot Maintenance for fiscal year 1999 was transferred to the Services based on the negotiations amongst the Services and the JLSC and agreements set forth by the DUSD(L). The description of each project within the Depot Maintenance suite, the anticipated date of transfer of each project, the designated Lead Service and the supported Services follow.

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION		A. Budget Submission FY1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/ Depot Maintenance/February 1998	C. Line No. & Item Description JDS 100 Depot Maintenance (DM) System	D. Activity Identification Joint Logistics Systems Center

Narrative Justification (Continuation):

The Depot Maintenance System consists of the following applications:
Manufacturing Resource Planning Commercial Off-The-Shelf System (MRP II COTS) - Provides the functionality which is the foundation for the management of depot/shipyard reparables (other than major end item commodities). It supports the tracking and control of depot level reparables (or commodity) repairs, re-manufacturing and overhaul in the depot environment. Its principal function is to plan and control material, labor, and production on the depot shop floor. Specifically, the MRP II COTS application supports master production scheduling, material requirements planning, capacity planning, requisitioning, customer order management, time and attendance, material control, repetitive manufacturing, shop floor control forecasting, and with its interface to legacy financial systems, also provides cost management; and budget/general ledger requirements. To date, MRP II COTS has been installed at seven sites. The funding profile for the MRP II application is: FY 1997 $9.9 million and FY 1998 $14.5 million.

Interservice Material Accounting and Control System (IMACS) - Provides storage and tracking of information on Depot Maintenance Interservice Support Agreements (DMISA) and provides visibility and control for interservice workloads. IMACS is deployed at Ogden Air Logistics Center, with remote access at 33 sites. The funding profile for the IMACS application is: FY 1997 $0.7 million and FY 1998 $1.6 million.

Depot Maintenance-Hazardous Material Management System (DM-HMMS) - Provides the production/shop floor management of hazardous material by pharmaceutical issue, tracking and disposition of hazardous materials across the depot down to the individual user. The DM-HMMS application allows the depots to significantly reduce purchasing hazardous material by effectively accounting for existing resources. To date, DM-HMMS has completed deployment and is installed at fourteen depot sites with validated cost savings of $29.9 million. The funding profile for the DM-HMMS application is: FY 1997 $ 0.3 million and FY 1998 $0.1 million..

Enterprise Information System (EIS) - Provides decision makers, at all management levels, customized access to timely summary information from the multiple databases across a depot. Decision support information is provided to managers on their desktop computers where they can receive and analyze mission critical data and "drill down" through appropriate levels of detail. EIS will allow the depot manager flexible, real time access to information from the standard depot system(s), permitting them to address adverse trends and variances in their operations before they become detrimental. To date, EIS has been installed at ten sites. Based on the DUSD/L memorandum of 29 Dec 1997, only local capability for EIS within the U.S. Marine Corps will be accommodated and no further development or deployments will occur. The funding profile for the EIS application is: FY 1997 $1.7 million and FY 1998 $0.4 million.

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION		A. Budget Submission FY1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/ Depot Maintenance/February 1998	C. Line No. & Item Description JDS 100 Depot Maintenance (DM) System	D. Activity Identification Joint Logistics Systems Center

Narrative Justification (Continuation):

Facilities and Equipment Maintenance (FEM) - Provides integration of several plant maintenance functions into a cost-effective asset management program. It supports and consolidates facility management functions, such as capital depreciation, equipment preventative and corrective maintenance, equipment installation, equipment calibration, and facility modification into a single automated management environment. To date, FEM has been installed at fourteen sites. The funding profile for the FEM application is: FY 1997 $6.1 million and FY 1998 $11.1 million.

Laboratory Information Management System (LIMS) - Provides the process associated with the receipt of material laboratory samples, report preparation, data storage on environmental impacts, production, failed/crash tests, and first article samples. LIMS is designed to improve the depot laboratory throughput, reduce analysis turnaround time, and enhance quality, safety, and security of laboratory processes. To date, LIMS has been installed at thirteen sites. The funding profile for the LIMS application is: FY 1997 $1.2 million and FY 1998 $0.5 million.

Tool Inventory Management Application (TIMA) - Provides management and control of maintenance tools by introducing automated ordering of tools, central receiving, marking (bar coding), equipment calibration/maintenance, and tracking of standard issue tool kits. Major investments in hand tools are made each year by depots/shipyards. Depending on the volume of hand tools and the size and scope of the depot/shipyard, a 10-20% reduction in new tool acquisition can be expected. To date, TIMA has been installed at twenty sites. The funding profile for the TIMA application is: FY 1997 $0.8 million and FY 1998 $0.5 million..

Baseline Advanced Inventory Management (BAIM) - Provides the Project Management functionality for the maintenance management of major end items. BAIM supports pre-induction planning, work definition and scoping, and development of a configuration-based Work Breakdown Structure (WBS). It supports analysis for resource allocation decisions, schedules and job packaging, the review of cost and schedule performance at any level of the WBS, including "what if" analysis of cost and schedule decisions under alternative work scenarios. To date, BAIM has been implemented in the Naval Shipyards and installed at Jacksonville Naval Aviation Depot (NADEP JAX). FY 1998 funding includes upgrades to versions installed at Naval Shipyards and NADEP JAX. The funding profile for the BAIM application is: FY 1997 $7.8 million and FY 1998 $11.3.

Programmed Depot Maintenance Scheduling System (PDMSS) - Provides integrated production planning, scheduling and execution using critical path, precedence-related plans based on real constraints. To date, PDMSS has completed deployments and is installed at twenty sites as a stand alone network scheduling capability. The funding profile for the PDMSS application is: FY 1997 $0.2 million and FY 1998 $0.2 million.

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION		A. Budget Submission FY1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/ Depot Maintenance/February 1998	C. Line No. & Item Description JDS 100 Depot Maintenance (DM) System	D. Activity Identification Joint Logistics Systems Center

Narrative Justification (Continuation):

Depot Maintenance Management Information System (DMMIS) - Provided the functionality which is the foundation for the management of depot/shipyard Reparables (other than major end item commodities) for the Air Force. Development on this project has been stopped and funds are required for contract close-out costs and any potential contingent liabilities. The funding profile for the DMMIS application is: FY 1997 $0.7 million and FY 1998 $0.

NAVAIR Depot Maintenance (DM) System - The end goal will be to transition from the stand-alone software configuration to an interfaced DM System which enhances the advanced depot business management capabilities and improves data management efficiencies. The NAVAIR DM System will be initially developed and activated at a single Service Initial Operating Site (IOS) - Naval Aviation Depot Jacksonville (NADEP JAX). This single IOS, termed the DM IOS, will achieve DM System Initial Operating Capability (IOC) when interfaces identified as required to deliver the initial capabilities of the DM System have been activated, tested and approved for a single product line, the P3 Orion Planned Depot Maintenance, first package (PDM-1). Funding profile for the NAVAIR DM System is: FY1997 $7.7 million; FY1998 $8.9 million.

Depot Maintenance System Beyond JAX: Per the November 26, 1997 ADUSD(LBS) memorandum, the DM Program will continue to plan for exportablity of the NAVAIR DM System to other sites. If desired, the Components will migrate the NAVAIR DM System to other Navy sites, as well as Air Force and Marine Corps sites. It is the responsibility of the Navy and site management to extend the applicability of the NAVAIR DM System past IOC at NADEP JAX in order to achieve Full Operating Capability (FOC) at that Service site. The funding profile for the DM System application is: FY 1997 $3.5 million; FY 1998 $6.8 million.

The table below shows the Service which will assume management responsibility for each of the Depot Maintenance projects, the supported Services and the projected date of transfer.

Project	Lead Service	Supported Services	Target Transfer Date
MRP II COTS	Navy (NAVAIR)	Air Force, Marine Corps	Feb 1998
IMACS	Air Force (AFMC)	Navy, Army, Marine Corps	Feb 1998
DM-HMMS	Air Force (AFMC)	Army, Marine Corps	Apr 1998
FEM	Navy (NMSO)	Air Force, Army, Marine Corps	Mar 98
LIMS	Navy (NMSO)	Air Force, Army	Mar 98
TIMA	Navy (NMSO)	Air Force, Army, Marine Corps	Mar 98
BAIM	Navy (NMSO)	n/a	Jan 98
PDMSS	Air Force (AFMC)	Army, Marine Corps	Feb 98
NAVAIR DM System	Navy (NAVAIR)	Air Force, Marine Corps	Feb 98

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION ($ in Thousands)									A. Budget Submission FY 1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/ Depot Maintenance/February 1998	C. Line No. & Item Description JDL 100 Component Legacy Systems Software Development								D. Activity Identification Joint Logistics Systems Center
	FY 1997			FY 1998			FY 1999		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Army Standard Depot System (SDS)			$4,500			$0			$0
Army Legacy			0			0			0
Navy/Marine Corps Legacy			0			0			0
Air Force Legacy			2,200			0			0
TOTAL			$6,700			$0			$0

Narrative Justification:

Legacy systems are those Automated Information Systems (AISs) currently in place at each DoD depot/shipyard maintenance activity which are used to manage, control, schedule or support the respective workload requirements of the depot/shipyard maintenance activity. With the closing of the JLSC and transfer of projects to the Military Services, the responsibility for any continued modernization of the Service legacy systems has been placed back under the management of the Services. Funds reflected in last year's submission for fiscal year 1998 were transferred to the individual military service budgets.

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION ($ in Thousands)		A. Budget Submission FY 1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/ Materiel Management/February 1998	C. Line No. & Item Description JSM100 Materiel Management Systems (MMS)	D. Activity Identification Joint Logistics Systems Center

	FY 1997			FY 1998			FY 1999		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software			$62,900			$40,200			$0
TOTAL			$62,900			$40,200			$0

Narrative Justification:
The JLSC will complete its mission in FY 1998 and the management responsibility of all six projects in MMS will be transferred to the Military Services and the Defense Logistics Agency (from now on referred to as components) based on the Deputy Under Secretary of Defense for Logistics (DUSD/L) Memorandum of 16 October 1997. This memorandum directed the transfer of all projects managed by the JLSC. Additionally, the Acting Under Secretary of Defense (Comptroller) approved the findings of the Defense Working Capital Fund Study Group which recommended termination of the JLSC and to devolve management responsibilities for its projects no later than fiscal year 1998 with final closure during fiscal year 1999. Since the JLSC has been planning for the transfer of these projects based on deployment schedules, the projected completion of the program management transfer should occur by September 1998. However, a closure team will remain in place throughout part of fiscal year 1999 to close financial, personnel and inventory records. Following these decisions the Acquisition Authority over the MM program approved a coordinated transfer plan for moving the individual projects from under their authority to the gaining component acquisition authority with final approval by the Office of Assistant Secretary of Defense (Command, Control, Communications and Intelligence) for each planned transfer.

The Joint Logistics Systems Center (JLSC), working with the components, has evaluated the processes of the DoD Inventory Control Points (ICPs) and selected and developed automated information systems to support improved business practices. This budget funds development, deployment and sustainment of these systems as identified and approved by the Deputy Under Secretary of Defense for Logistics (DUSD/L) through fiscal year 1998. The JLSC funding for Materiel Management for fiscal year 1999 was transferred to the components based on negotiations between each lead component and the JLSC and approved by DUSD(L).

The description of each MM project, the anticipated date of transfer, the designated lead component and the supported components follow.

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION		A. Budget Submission FY 1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/ Materiel Management/February 1998	C. Line No. & Item Description JSM100 Materiel Management Systems (MMS)	D. Activity Identification Joint Logistics Systems Center

Narrative Justification (Continuation):

The Materiel Management Systems consist of the following applications:

The Configuration Management Information System (CMIS) provides configuration identification, configuration control, configuration status accounting, electronic change control and configuration audits. CMIS interfaces with the maintenance systems, the acquisition systems and contractor configuration management systems. The overriding benefit of CMIS is to provide the capability of all personnel (engineers, manufacturers, contractors, logisticians and procurement personnel) within the configuration management process to interact through common data. To date, CMIS has been installed at 24 DoD sites. The funding profile for the CMIS application is: FY 1997 $15.6 million and FY 1998 $5.7 million.

The Maintenance Planning and Execution (MP&E) System provides the Repair Program Manager with an application to perform the following: planning for the maintenance of secondary items; control of maintenance funds; automated maintenance negotiations; and distribution of maintenance workload between organic and contractor repair sources. Currently, MP&E is installed at two DoD sites. The funding profile for the MP&E application is: FY 1997 $10.6 million and FY 1998 $10.7 million.

The Stock Control System (SCS) provides asset visibility down to the installation level, processes wholesale customer requisitions, provides customer support to validate rejects, re-inputs requisitions and related transactions, releases back orders upon receipt of materiel, performs item accountability and computes replenishment requirements in support of depot maintenance. Major stock control process functions included in SCS are requisition processing, receipt processing, inventory management, disposal management and returns management. SCS has been installed at six DoD sites. The funding profile for the SCS application is: FY 1997 $16.1 million and FY 1998 $7.3 million.

The Math Models applications provide standard requirements determination algorithms. The capabilities will provide measured flexibility for computations, item grouping simulation and demand based computations. Two Math Model deployments are scheduled for fiscal year 1998. The funding profile for the Math Models application is: FY 1997 $8.1 million and FY 1998 $4.0 million.

The Commercial Asset Visibility II (CAV II) project provides the DoD Inventory Control Points visibility of assets being repaired in both DoD organic and commercial facilities. CAV II has been installed at 201 facilities. The funding profile for the CAV II application is: FY 1997 $7.1 million and FY 1998 $8.1 million.

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION		A. Budget Submission FY 1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/ Materiel Management/February 1998	C. Line No. & Item Description JSM100 Materiel Management Systems (MMS)	D. Activity Identification Joint Logistics Systems Center

Narrative Justification (Continuation):

The Defense Supply Expert System (DESEX) provides DoD supply management with a telephone inquiry system for ordering inventory and tracking status of ordered supply items. To date, DESEX has been installed at 16 sites. The funding profile for DESEX: FY 1997 $0.4 million and FY 1998 $1.5 million.

Materiel Management Program Support provides core capabilities of systems engineering; program support; functional analysis of system specifications and configuration control and management of software releases. The funding profile for Materiel Management Program Support is: FY 1997 $4.8 million and FY 1998 $2.9 million.

Based on the cancellation of requirements during a review led by the Deputy Under Secretary of Defense for Logistics, the following applications were closed. The Product Definition Support System (PDSS), Deficiency Reporting System (DRS) and Central Secondary Item Stratification (CSIS) were completed but were scheduled for implementation in a production environment. The Requirements Computations System (RCS); Initial Requirements Determination/Readiness Based Sparing (IRD/RBS) (funding for FY 1997 is $0.2 million); Provisioning Catalog Technical Support System (PCTSS) and Materiel Management Standard System (MMSS) applications were terminated. However, PCTSS documentation will be transferred to the Defense Logistics Agency for their use in managing the DoD cataloging function.

The table below shows the lead and supported components for each of the Materiel Management projects and the projected date of transfer.

MM Project	Lead Component	Supported Components	Target Transfer Date
CMIS	Navy (NAVAIR)	Air Force, Marine Corps	Apr 1998
MP&E	Air Force (AFMC)	Marine Corps, DLA	Aug 1998
SCS	Air Force (AFMC)	Marine Corps, DLA	Feb 1998
Math Models	Navy (NAVSUP)	DLA	Apr 1998
CAV II	Navy (NAVSUP)	Army, Marine Corps	Jul 1998
DESEX	DLA (DSDC)	Navy, Air Force, Army, Marine Corps	Aug 1998

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Business Area/Date
Joint Logistics Systems Center/
Materiel Management/Feb 1998

C. Line No. & Item Description JSC 100
Defense Medical Logistics Standard System-
Wholesale-(DMLSS-W)

D. Activity Identification
Joint Logistics Systems Center

	FY 1997			FY 1998			FY 1999		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software			7,600			0			0
TOTAL			$7,600			$0			$0

Narrative Justification:
The DMLSS-W Program supports medical logistics business process improvements and is a single medical logistics standard support Automated Information System (AIS) within the Military Health Service System (MHSS). The Medical Directorate at Defense Supply Center-Philadelphia (DSC-P) under the Defense Logistics Agency (DLA) serves as the Program Manager.

This program was transferred from the Joint Logistics Systems Center to the Defense Logistics Agency beginning in fiscal year 1998.

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION ($ in Thousands)									A. Budget Submission FY 1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/ Materiel Management/Feb 1998	C. Line No. & Item Description JSD 100 Defense Integrated Subsistence Management System (DISMS)								D. Activity Identification Joint Logistics Systems Center
	FY 1997			FY 1998			FY 1999		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software			1,600			0			0
TOTAL			$1,600			$0			$0

Narrative Justification:

The Defense Integrated Subsistence Management System (DISMS) is a component-unique standard system which uses a relational database serving a major Defense Logistics Agency Inventory Control Point as well as thousands of individual customers, both military and non-DoD.

This program was transferred from the Joint Logistics Systems Center to the Defense Logistics Agency beginning in fiscal year 1998.

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION
($ in Thousands)

A. Budget Submission
FY 1999 Amended Budget Estimates

B. Component/Business Area/Date	C. Line No. & Item Description JSL 100	D. Activity Identification
Joint Logistics Systems Center/ Materiel Management/Feb 1998	Component Legacy Systems Software Development	Joint Logistics Systems Center

	FY 1997			FY 1998			FY 1999		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Army Legacy			$0			$0			$0
Navy/Marine Corps Legacy			0			0			0
Air Force Legacy			0			0			0
Defense Logistics Agency Legacy			0			0			0
TOTAL			$0			$0			$0

Narrative Justification:
Legacy systems are those Automated Information Systems (AISs) currently operational, supporting Supply Management functions in each Component. With the closing of the JLSC and transfer of completed projects to the Military Services, the responsibility for any continued modernization of the Service legacy systems has been placed back under the management of the Services. Funds reflected in last year's submission for fiscal year 1998 were transferred to the individual component budgets.

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION ($ in Thousands)		A. Budget Submission FY1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/Feb 1998	C. Line No. & Item Description JSG 100 Logistics Community Management (LCMt)	D. Activity Identification Joint Logistics Systems Center

	FY 1997			FY 1998			FY 1999		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Capital budget			$12,000			$4,000			$0
Operating budget									0
Civilian Personnel						465			0
Travel						234			0
Equipment & Supply						101			0
Contract Services						1,200			0
Other Purchases									0
TOTAL			$12,000			$6,000			$0

Narrative Justification:

The Chairman of the Joint Chiefs of Staff issued Joint Vision 2010 as an operationally based template for the evolution of the Armed Forces of the United States to meet a challenging and uncertain future. Two of the four key pillars of Joint Vision 2010 are "Information Superiority" and "Focused Logistics". The Deputy Under Secretary of Defense for Logistics (DUSD(L)) developed and issued the Defense Logistics Strategic Plan in direct support of Joint Vision 2010. The Defense Logistics Strategic Plan identifies the logistics vision to provide information superiority and focused logistics support to ensure readiness and sustainability for the Total Force in both peace and war. DUSD(L) also developed and issued the Logistics Business Systems Corporate Strategy to support accomplishment of the Defense Logistics Strategic Plan and achieve the "Focused Logistics" capability through implementation of the Global Combat Support System (GCSS). An integral part of that Strategy is the concept of the Logistics Community Manager (LCM) and its utilization to support the DUSD(L) and the Military Services and Defense Logistics Agency (DLA) in the implementation of the GCSS, the Common Operating Environment (COE), and the Defense Information Infrastructure (DII) across logistics. In addition to the GCSS thrust to improve logistics effectiveness for the Joint Warfighter, the LCM will also participate in DOD's efforts to improve logistics business efficiency.

DUSD(L) chartered the LCM organization in July 1997 and charged it with the mission "To initiate and, where possible, accelerate the development and implementation of an interoperable logistics infrastructure and shared data environment across Components, agencies, and private industry in support of the Joint Warfighter". LCM will support the logistics community in three primary areas: facilitate the identification of information requirements to support the Joint Warfighter, improvement of inter-service business processes, and development of a common interface between DoD and industry; evolve the Joint Technical Architecture (JTA) and Defense Information Infrastructure Common Operating Environment (DII COE) to support the requirements of the logistics community; and facilitate the integrated execution of the DUSD(L) Corporate Strategy. DUSD(L) will use the

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION		A. Budget Submission FY1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/Feb 1998	C. Line No. & Item Description JSG 100 Logistics Community Management (LCMt)	D. Activity Identification Joint Logistics Systems Center

Narrative Justification (Continuation):
LCM to create a GCSS vision towards which the individual Services and DLA, can migrate their logistics systems. This vision will be based on an integrated operational architecture which supports all logistics activities. The LCM will use this operational architecture to identify opportunities for exchanging logistics information between Services/DLA and/or between functional areas. These opportunities will be documented in the form of discreet Implementation Packages which will provide sufficient information for the Services/DLA to create the desired joint capability. The LCM will provide Implementation Packages for review and coordination to the Executive Director, Life-Cycle Information Integration Office (LCIIO) who will then forward them to DUSD(L) for final approval. This process will also help identify opportunities for improving logistics business processes to increase logistics support efficiency.

Unlike most other Working Capital funds, LCM does not have an operating budget consisting of revenue and expenses. The LCM operations budget is part of the total capital budget and pays for the normal operations of the LCM.

FY97: Tasking for the LCM is based on an annual contract which is coordinated through the Executive Director, LCIIO and signed by DUSD(L). Per the direction of the FY97 contract, initial LCM efforts focused on: developing a process for identifying Joint Warfighter information requirements in support of the GCSS; working with DISA to evolve the DII COE to meet the unique requirements of the logistics community as it migrates to GCSS; transforming the current Military System (MILS) transaction-based logistics process to accommodate data sharing technologies; addressing the problem of supporting the Joint Warfighter with product data; and developing the organizational and management structure of the LCM organization.

The total LCM budget for FY97 was $12M. Those funds are being used to accomplish the following tasks:

Identify Joint Warfighter Information Requirements - The LCM is working with the Director of Logistics for the Joint Chiefs of Staff (J-4) to develop an operational architecture for combat support which can be used as the framework for identifying joint logistics process which will feed the GCSS. The LCM is also establishing a process to identify specific joint logistics information requirements for Service/DLA execution in the form of Implementation Packages. This process links real world joint-logistics information needs to specific information system clusters for implementation in GCSS. The LCM is also supporting Component initiatives which contribute to the development of GCSS.
Evolve the DII COE - DISA has responsibility to define the DII COE. This COE was originally developed as an outgrowth of the GCCS. The GCCS supports the command and control function of the joint warfighter, as opposed to the combat support function represented by GCSS. The ultimate technical architecture requirements of GCSS are different from those currently embodied in the DII COE. The role of the LCM is to support

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION		A. Budget Submission FY1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/Feb 1998	C. Line No. & Item Description JSG 100 Logistics Community Management (LCMt)	D. Activity Identification Joint Logistics Systems Center

Narrative Justification (Continuation.

the DISA process for updating the DII COE by providing a joint logistics functional perspective. The LCM is creating a Standard Operating Procedure for providing inputs from the logistics Central Design Activities (CDAs) and other logistics activities into the DISA requirements process. The LCM will coordinate, facilitate, and insure interoperability across the logistics community. The LCM has also been appointed to be a member of the DISA Architecture Oversight Group and the Configuration Review and Control Board (CRCB).

Transform the MILS process - The LCM and its process partners, the Defense Logistics Systems Center (DLSC), the Defense Automated Addressing System Center (DAASC), and the Defense Logistics Management System Office (DLMSO), are working together to re-engineer the MILS process to provide access to shared data and increase utility for the logistics community. DAASC has begun planning to assume the role as the Operations Support Center (OSC) for deployed versions of the emerging DII COE to meet needs through infrastructure technologies such as the Joint Computer Aided Logistics Support (JCALS) program. DLMSO is working with the Joint Total Asset Visibility (JTAV) program to identify and provide access to logistics transaction data. DLSC is defining the requirement for access to product data and the means to share it across the logistics community.

Provide LCM Organization and Management - The LCM has initiated planning for all LCM functions. It has been tasked to support the LIB and has been appointed as a member of the Logistics Information Requirements Council. Additionally, the LCM is initiating the process to educate the logistics community on GCSS requirements and the way ahead for joint logistics.

FY98: In FY98, PBD 401 established the total LCM budget at $6M. The decreased funding in FY98 makes each Component responsible for executing its portion of the joint logistics process. In FY98 the LCM has five focus areas: 1) Support development of logistics information sharing requirements, 2) Incorporate inter-service information requirements into the new data sharing environment, 3) develop a timely and responsive process for sharing data and information and coordinating business/technical rules and logistics process improvement opportunities with the Components and functional proponents, 4) Provide logistics common technical requirements for the defense information infrastructure (DII) common operating environment (COE) in cooperation with DISA, and 5) Develop a materiel availability capability in support of GCSS.

The LCM has established the following work breakdown structure to complement the focus areas:

1.0 Common Business Standards and Requirements

1.1 Formalize Joint Logistics Oversight Process--The LCM will develop and deliver a process for conducting business within the joint logistics community to include resolving of funding issues associated with joint/inter-service initiatives.

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION		A. Budget Submission FY1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/Feb 1998	C. Line No. & Item Description JSG 100 Logistics Community Management (LCMt)	D. Activity Identification Joint Logistics Systems Center

Narrative Justification (Continuation.)

1.2 Develop Joint logistics Coordination Process--The LCM organization will define and document a process/collaborative environment for coordinating and implementing data sharing to meet joint/inter-service information requirements.

1.3 Develop Implementation Package for Materiel Availability Capability--The LCM will develop and deliver a materiel availability-related implementation package for GCSS that is coordinated within the logistics functional community as well as the technical community through DISA.

2.0 JTA and Common System Services

2.1 Develop Logistics Requirements for DII COE--The LCM organization will work with DISA to identify and document DII COE common technical requirements for the logistics environment.

2.2 Evaluate Global Database Management System (GDMS) for Logistics Application--The LCM will evaluate the Global Data Management System as a possible "Middleware" solution to facilitate data sharing within the Logistics Community.

3.0 Community Execution of DUSD(L) Strategy

3.1 Support the J-4 in Defining GCSS Requirements--The LCM organization will provide logistics inputs to the information requirements being identified as part of the GCSS COP definition process.

3.2 Support Joint Programs' Data Access Requests--The LCM will support Joint programs, such as the Joint Total Asset Visibility (JTAV) Program Office, in identifying and accessing specific logistics data and systems to meet Joint information requirements.

3.3 Advocate Resolution of Corporate Infrastructure and logistics business process Issues--The LCM will act as the broker between the individual services/components to reach agreement on the issues associated with establishing a logistics corporate infrastructure and improving the efficiency of logistics business processes.

3.4 Act as LIRC Secretariat--The LCM will act as the secretariat for the Logistics Information Resources Council.

In FY98 The LCM will continue to initiate extensive community coordination activities to ensure the Services/DLA maintain awareness of efforts being performed by other members of the logistics community and help identify opportunities for collaboration and cost sharing among the Services/DLA.

FY99: In FY99 the $6M LCM budget transfers to DLA's O&M appropriation. At this time, the LCM will have the capability to assist the Services/DLA and joint programs in developing and executing their individual GCSS migration strategies by: providing execution support through access to common tools and information to support Service/DLA efforts; ensuring the required functionality needed to support the logistics community

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION		A. Budget Submission FY1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/Feb 1998	C. Line No. & Item Description JSG 100 Logistics Community Management (LCMt)	D. Activity Identification Joint Logistics Systems Center

Narrative Justification (Continuation.

and common infrastructure requirements for the operation of a logistics shared data environment; and by facilitating the identification of Joint Warfighter information requirements and their requirements and their translation to specific data requirements for decentralized execution by the Services/DLA as they migrate to the GCSS environment. Collectively, these efforts will increase the efficiency and effectiveness of the overall logistics business area and improve the development of individual Service/DLA initiatives in support of the Joint Warfighter and GCSS.

The LCM will also continue to ensure the Services/DLA maintain awareness of efforts being performed by other members of the logistics community and the DOD to help identify opportunities for collaboration and cost sharing. The LCM will support DUSD(L) by validating that Service/DLA initiatives are consistent with the overall GCSS vision, support logistics strategic planning, and support efforts to coordinate activities across functional areas outside of logistics.

The premise of LCM is based on the concept that each Component should be responsible for executing its portion of the logistics process. However, logistics as a whole must be able to support the new military doctrine of waging war as a Joint Command. In order to support the Joint Warfighter, the information necessary to support a joint operation, to support logistics processes which cross Component and functional bounds, and to provide a means to present a single DoD face to industry must be identified. DUSD(L) and the Components believe identification of these types of information requirements require a joint and central facilitator. LCM is that facilitator. The J-4 also endorses the LCM concept as the primary means to support his efforts to coordinate Component combat support information requirements and to implement logistics business systems in furtherance of the GCSS capability.

The current logistics infrastructure is fragmented and characterized by systems and processes which are not widely interoperable. A fundamental aspect of the DUSD(L) Logistics Business Systems Corporate Strategy is a phased approach to modernization and improvement. This strategy begins with requirements being defined based on the needs of the Joint Warfighter and prioritized by the Services/DLA with DUSD(L) for execution by the Services/DLA. They will fulfill these requirements by migrating existing systems and data to the interoperable GCSS concept, or by creating new systems. This automated flow of information will enable Information Dominance and Focused Logistics and provide management flexibility to respond to changes in the operational environment. The LCM is the catalyst which will allow this to happen. Without this investment, the DUSD(L) Logistics Business Systems Corporate Strategy will not be achieved. This will seriously jeopardize the DUSD(L) vision embodied in the Defense Logistics Strategic Plan and the accomplishment of the operational concepts of Joint Vision 2010.

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION		A. Budget Submission FY1999 Amended Budget Estimates
B. Component/Business Area/Date Joint Logistics Systems Center/ Management Support/Operating Budget/Feb 1998	C. Line No. & Item Description JMO 100 Management Support/Operating Budget	D. Activity Identification Joint Logistics Systems Center

	FY 1997			FY 1998			FY 1999		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Military Personnel			$1,616			$1,689			$0
Civilian Personnel			13,248			9,807			2,084
Travel			901			850			25
Equipment & Supply			615			443			51
Contract Services			7,728			4,087			1,820
Other Purchases			3,751			3,424			920
TOTAL			**$27,859**			**$20,300**			**$4,900**

Narrative Justification:

Unlike most other Working Capital funds, JLSC does not have an operating budget consisting of revenue and expenses. The JLSC operations budget is part of the total capital budget and pays for the normal operations of the JLSC; i.e., payroll for personnel assigned to the JLSC, TDY, PCS, supplies, office equipment, etc. The JLSC is a jointly staffed organization, with representation from the Army, Navy, Marine Corps, Air Force and DLA. Civilian end strengths are reflected in the components' budgets, while salaries are budgeted and paid by the JLSC. Military end strengths are reflected in the JLSC budget and reimbursement is made to the Services.

The JLSC will complete its mission in FY 1998 and the management responsibility of its projects will be transferred to the Military Services and Defense Logistics Agency based on the Deputy Under Secretary of Defense for Logistics (DUSD/L) Memorandum of 16 October 1997. This memorandum directed the transfer of all projects managed by the JLSC. Additionally, the Acting Under Secretary of Defense (Comptroller) approved the findings of the Defense Working Capital Fund Study Group which recommended termination of the JLSC and to devolve management responsibilities for its projects no later than fiscal year 1998 with final closure during fiscal year 1999. Since the JLSC has been planning for the transfer of these projects based on deployment schedules, the projected completion of the program management transfer should occur by September 1998. However, a closure team will remain in place throughout part of fiscal year 1999 to close financial, personnel and inventory records.

BUSINESS AREA CAPITAL INVESTMENT SUMMARY
DEFENSE SECURITY SERVICE
PERSONNEL SECURITY INVESTIGATIONS
Feb-98

LINE NUMBER	ITEM DESCRIPTION	FY 1997		FY 1998		FY 1999	
		QUANTITY	TOTAL COST	QUANTITY	TOTAL COST	QUANTITY	TOTAL COST
001	Equipment					0	0
	Equipment other than ADPE - Misc					25	0.3
002	ADP & Communications Equipment						
	- Computer Hardware (Production)						
	Desktop Computers					405	0.9
	Notebook Computers					48	0.2
	Fingerprint Automation					1	0.5
003	Software Development						
004	Minor Construction						
	TOTAL						1.9

Exhibit Fund-9a Business Area Capital Investment Summary

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION
($ in Thousands)

A. BUDGET SUBMISSION
FY 1999 Presidents Submission

B. COMPONENT/BUSINESS AREA/DATE
Defense Security Service, Personnel Security Investigations, 1/1998

C. LINE NO. & ITEM DESCRIPTION
002 ADP & Communications Equip

D. ACTIVITY IDENTIFICATION

	FY 1997			FY 1998			FY 1999		
ELEMENT OF COST	QUANTITY	UNIT COST	TOTAL COST	QUANTITY	UNIT COST	TOTAL COST	QUANTITY	UNIT COST	TOTAL COST
Desktop Computers							405	2.3	931.5
Notebook Computers							48	3.8	182.4

Narrative Justification:

The desktop/notebook computer replacement program will continue to enable users to access the full range of DSS applications. Desktop/notebook computers are the mechanism by which DSS personnel access information stored in the corporate database. These computers provide access to all DSS systems and information available through the world wide web. Without this equipment, DSS staff would be unable to share and transmit information in a timely manner.

Exhibit Fund-9b Business Area Capital Purchase Justification

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION ($ in Thousands)							A. BUDGET SUBMISSION FY 1999 Presidents Submission		
B. COMPONENT/BUSINESS AREA/DATE Defense Security Service, Personnel Security Investigations, 1/1998				C. LINE NO. & ITEM DESCRIPTION 002 ADP & Communications Equip			D. ACTIVITY IDENTIFICATION		
	FY 1997			FY 1998			FY 1999		
ELEMENT OF COST	QUANTITY	UNIT COST	TOTAL COST	QUANTITY	UNIT COST	TOTAL COST	QUANTITY	UNIT COST	TOTAL COST
Fingerprint Automation							1	502.3	502.3

Narrative Justification:
DSS will resume efforts to establish an automated interface with the Federal Bureau of Investigation (FBI) to exchange electronic fingerprint images. DSS handles over 2,600 fingerprint cards per day. This system will support receipt of electronic latent fingerprints, scanning of latent fingerprint cards, temporary storage in DSS database, electronic submission to FBI, and electronic receipt of processing results. The FBI has stated that they will process electronic fingerprint images within 24 hours of receipt.
The average processing time for the paper cards is 30 days. The ability to transmit electronic images will significantly reduce processing time and improve efficiency within DSS. In addition, the FBI has stated that they may charge more to process paper cards. However, their final rates have not been established.